BUILDING A POWERFUL FUTURE

Manitoba Hydro-Electric Board 59th Annual Report
For the Year Ended March 31, 2010

July 31, 2010

Honourable Rosann Wowchuk
Minister Charged with the Administration of the Manitoba Hydro Act
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:
I have the honour of presenting the 59th Annual Report of The Manitoba Hydro-Electric Board, together with the financial statements, for the fiscal year ended March 31, 2010.

Respectfully submitted,

Victor H. Schroeder, QC
Chairman, The Manitoba Hydro-Electric Board

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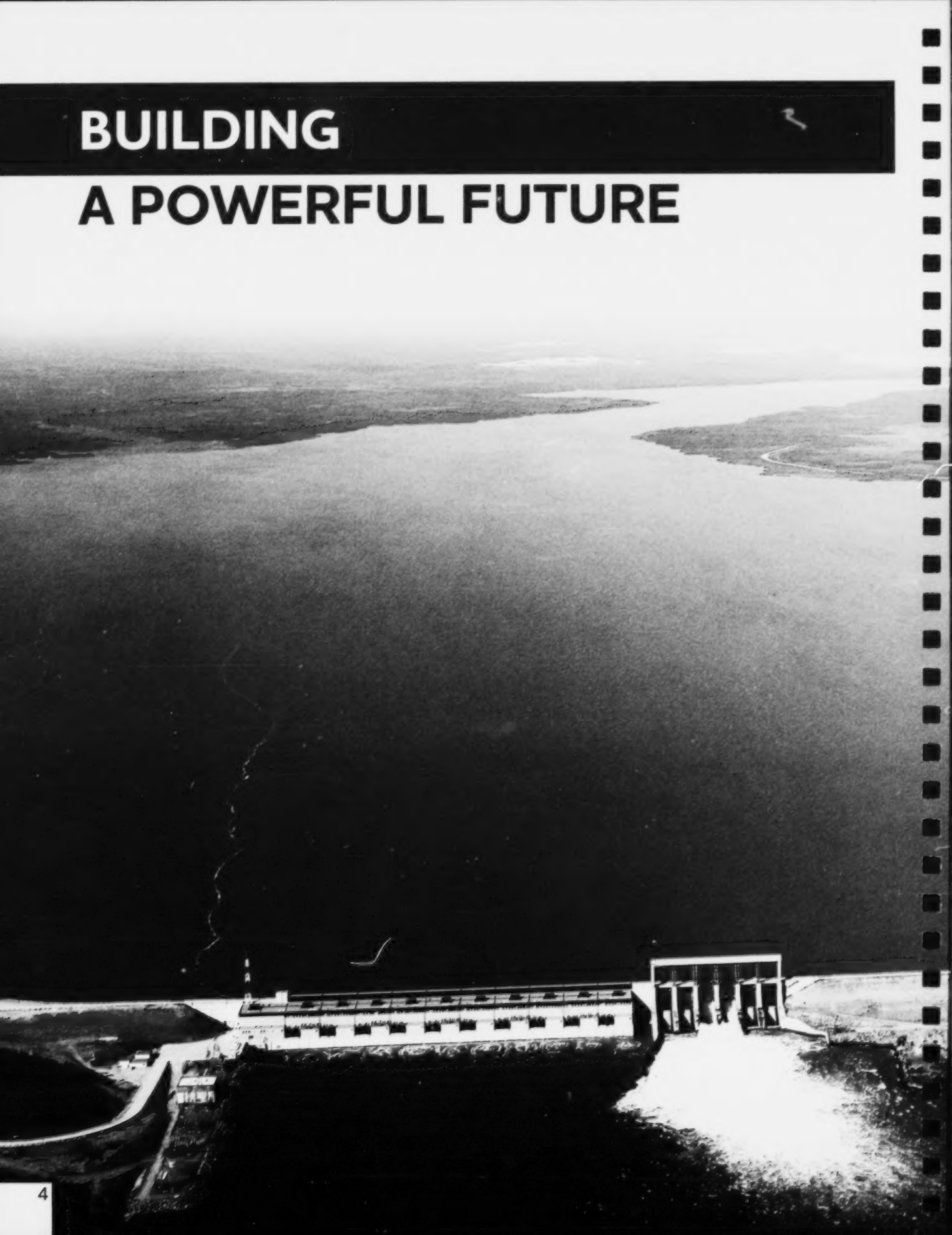
Cover: The intake gates take shape at the Wuskwatim Generating Station.

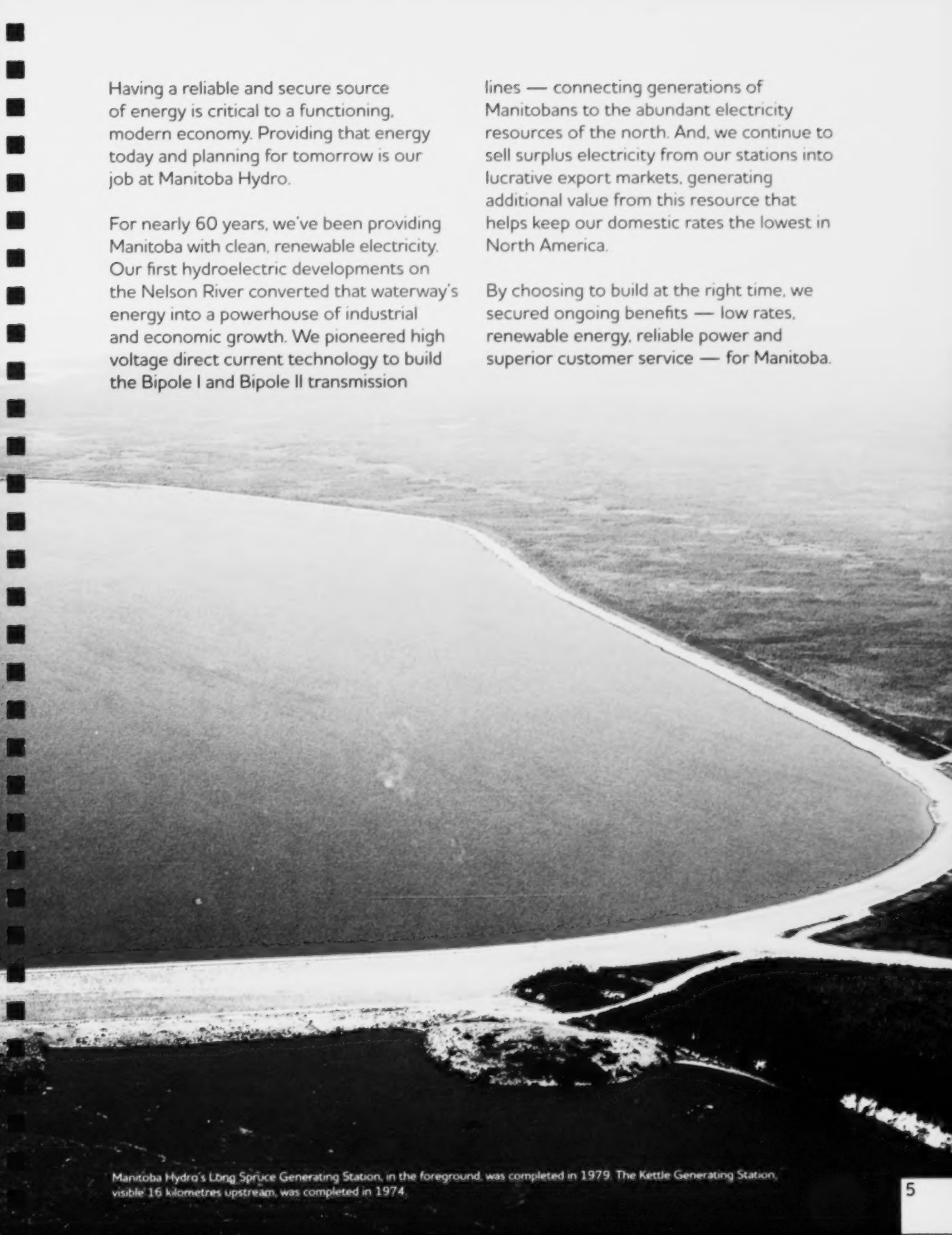
BUILDING
A POWERFUL FUTURE



Having a reliable and secure source of energy is critical to a functioning, modern economy. Providing that energy today and planning for tomorrow is our job at Manitoba Hydro.

For nearly 60 years, we've been providing Manitoba with clean, renewable electricity. Our first hydroelectric developments on the Nelson River converted that waterway's energy into a powerhouse of industrial and economic growth. We pioneered high voltage direct current technology to build the Bipole I and Bipole II transmission lines — connecting generations of Manitobans to the abundant electricity resources of the north. And, we continue to sell surplus electricity from our stations into lucrative export markets, generating additional value from this resource that helps keep our domestic rates the lowest in North America.

By choosing to build at the right time, we secured ongoing benefits — low rates, renewable energy, reliable power and superior customer service — for Manitoba.



Manitoba Hydro's Long Spruce Generating Station, in the foreground, was completed in 1979. The Kettle Generating Station, visible 16 kilometres upstream, was completed in 1974.

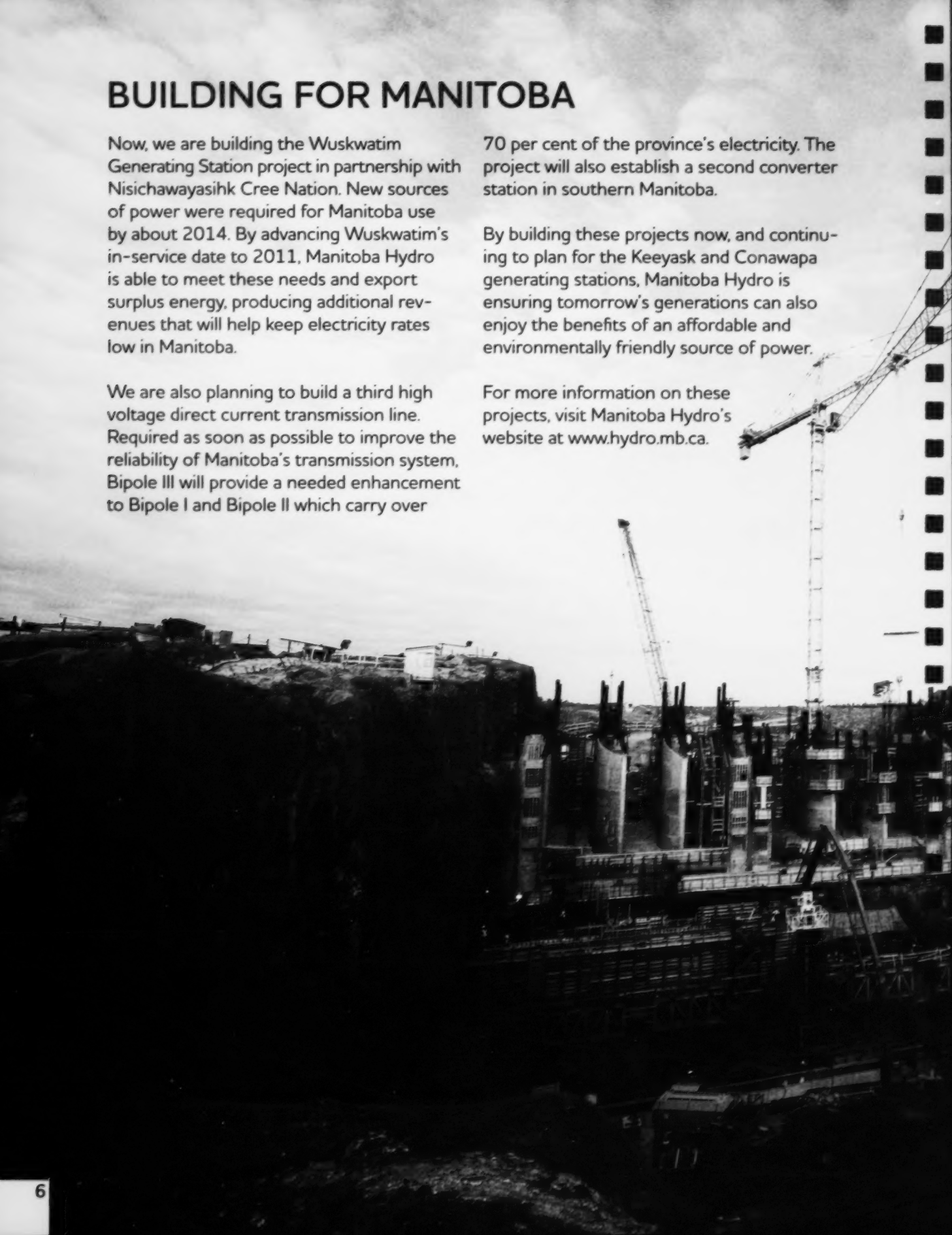
BUILDING FOR MANITOBA

Now, we are building the Wuskwatim Generating Station project in partnership with Nisichawayasihk Cree Nation. New sources of power were required for Manitoba use by about 2014. By advancing Wuskwatim's in-service date to 2011, Manitoba Hydro is able to meet these needs and export surplus energy, producing additional revenues that will help keep electricity rates low in Manitoba.

We are also planning to build a third high voltage direct current transmission line. Required as soon as possible to improve the reliability of Manitoba's transmission system, Bipole III will provide a needed enhancement to Bipole I and Bipole II which carry over 70 per cent of the province's electricity. The project will also establish a second converter station in southern Manitoba.

By building these projects now, and continuing to plan for the Keeyask and Conawapa generating stations, Manitoba Hydro is ensuring tomorrow's generations can also enjoy the benefits of an affordable and environmentally friendly source of power.

For more information on these projects, visit Manitoba Hydro's website at www.hydro.mb.ca.



The 200-megawatt Waskwatim Generating Station's powerhouse as it appeared in September 2009

CORPORATE PROFILE

Manitoba Hydro is a provincial Crown Corporation, providing electricity to over 532 000 customers throughout Manitoba and natural gas service to over 264 000 customers in various communities. We also export and import electricity within three wholesale markets in Canada and the Midwestern United States.

We are over 6 000 people working throughout the province. With capital assets-in-service at original cost exceeding $12 billion, Manitoba Hydro is one of the largest energy utilities in Canada.

Recognized within the industry for our high levels of customer service and reliability, Manitoba Hydro is also a leader in energy efficiency. We aggressively promote energy conservation through a multitude of residential, commercial and industrial Power Smart* programs. We are also well-known for our prudent environmental practices, our strong relationships with Aboriginal peoples and our outstanding community support.

Manitoba Hydro is governed by The Manitoba Hydro-Electric Board, whose members are appointed by the Lieutenant-Governor in Council.

OUR SYSTEM

Nearly all of the electricity Manitoba Hydro produces each year — about 32 billion kilowatt hours on average — is clean, renewable power generated by 14 hydroelectric generating stations. The corporation also maintains two thermal generating stations and four remote diesel generating stations. Power is also purchased from an independent 99-megawatt wind farm at St. Leon, Manitoba. We deliver electricity to our customers using over 11 700 kilometres of transmission lines and 72 000 kilometres of distribution lines.

Manitoba Hydro is also a major distributor of natural gas, providing energy to nearly 100 communities, primarily in the southern part of the province. Natural gas is purchased from producers in Alberta and transported to Manitoba through the TransCanada Pipeline network.

*Manitoba Hydro is a licensee of the Trademark and Official Mark.

VISION, MISSION AND GOALS

VISION

To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction and environmental leadership; and to always be considerate of the needs of customers, employees and stakeholders.

MISSION

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy.

CORPORATE GOALS

- Improve safety in the work environment.
- Provide customers with exceptional value.
- Strengthen working relationships with Aboriginal peoples.
- Maintain a strong financial structure.
- Extend and protect access to North American energy markets and profitable export sales.
- Attract, develop and retain a highly skilled and motivated workforce that reflects the demographics of Manitoba.
- Protect the environment in everything that we do.
- Promote cost effective energy sustainability, conservation and innovation.
- Be recognized as an outstanding corporate citizen and a supporter of economic development in Manitoba.

THIS YEAR'S HIGHLIGHTS

Net income for the 2009/10 fiscal year: **$163 million**.

Recognized for **best safety performance** among natural gas utilities in Canada.

First concrete poured for the Wuskwatim Generating Station in May and the powerhouse fully enclosed by February.

Power Smart Residential Loan Program enrolls **50 000th** participant.

Joint Keeyask Development **Agreement signed** with Keeyask Cree Nations.

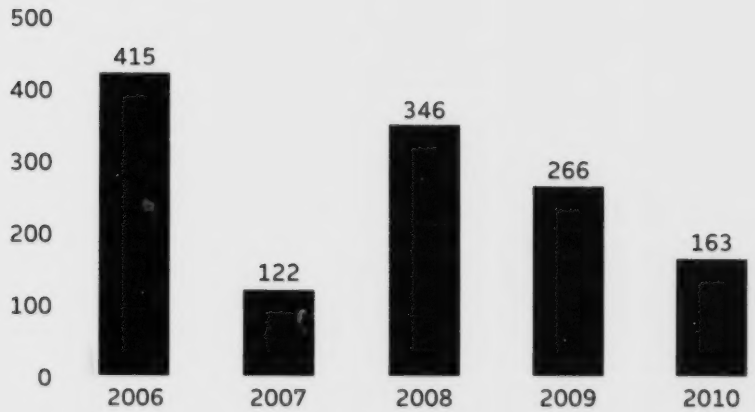
Manitoba Hydro Place officially opened and receives numerous awards including title of **Best New Tall Building** in the Americas.

Electricity export contract worth more than **$3 billion** signed with Xcel Energy.

Named one of Canada's **top 50** corporate citizens by Corporate Knights magazine.

Agreement with Pattern Energy to purchase electricity from 138-megawatt **wind farm** to be built near St. Joseph.

NET INCOME
(millions of dollars)



FINANCIAL RESULTS

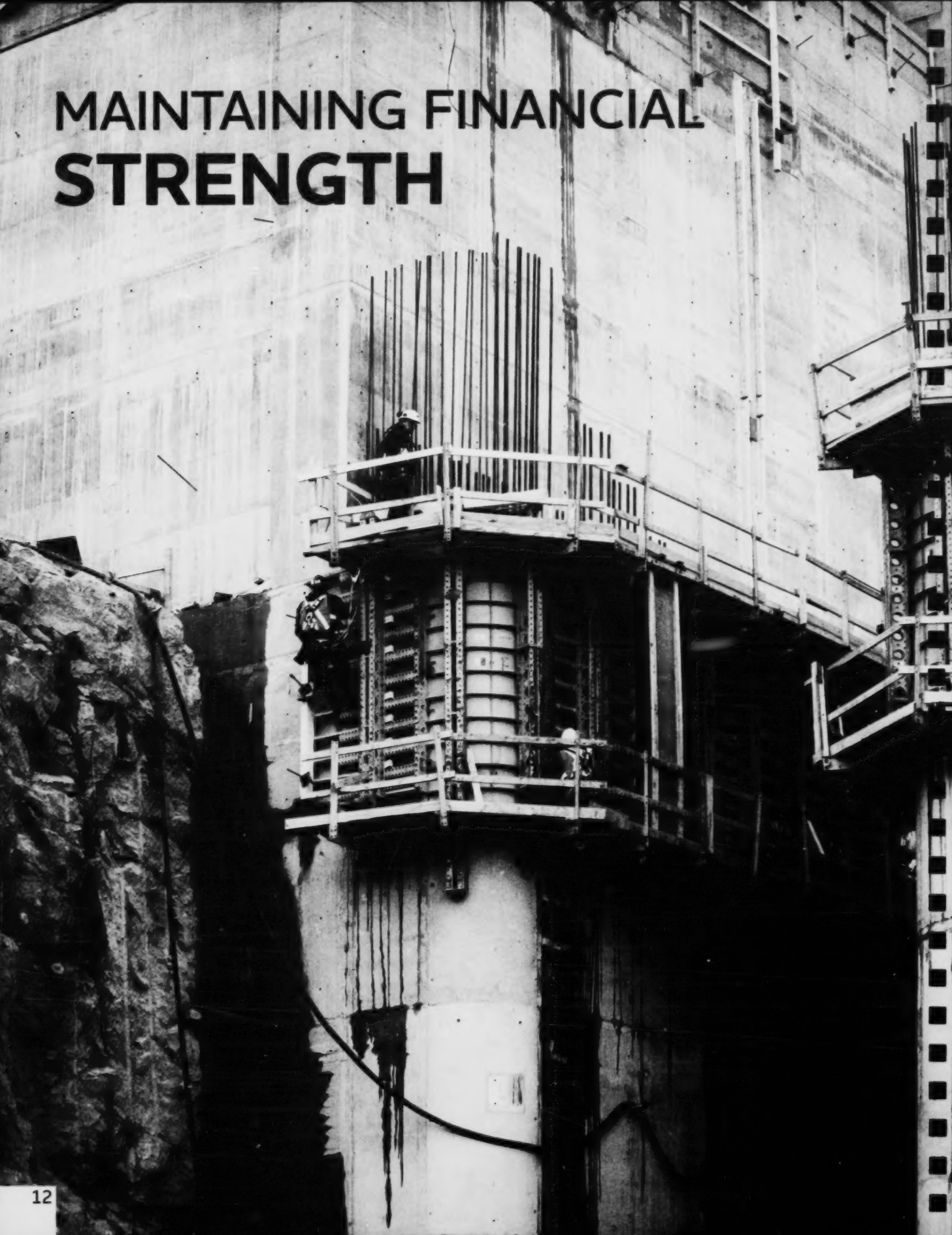
	Electricity		Natural Gas		Total	
Revenue	2010	2009	2010	2009	2010	2009
			millions of dollars			
Manitoba	**1 172**	1 161	**454**	580	**1 626**	1 741
Extraprovincial	**427**	623	**-**	-	**427**	623
	1 599	1 784	**454**	580	**2 053**	2 364
Cost of gas sold	**-**	-	**316**	431	**316**	431
Expenses	**1 435**	1 527	**139**	140	**1 574**	1 667
Net income	**164**	257	**(1)**	9	**163**	266
Retained earnings	**2 206**	2 042	**33**	34	**2 239**	2 076

OPERATING STATISTICS

	2010	2009	Increase/(Decrease)
Electrical Operations			
Sales		*billions of kilowatt hours*	
Manitoba sales	**20.5**	21.2	(0.7)
Net extraprovincial sales	**9.9**	9.6	0.3
System supply		*billions of kilowatt hours*	
Generation	**34.0**	34.5	(0.5)
Imports	**0.7**	0.7	(0.0)
		thousands of kilowatts	
Manitoba peak load	**4 359**	4 477	(118)

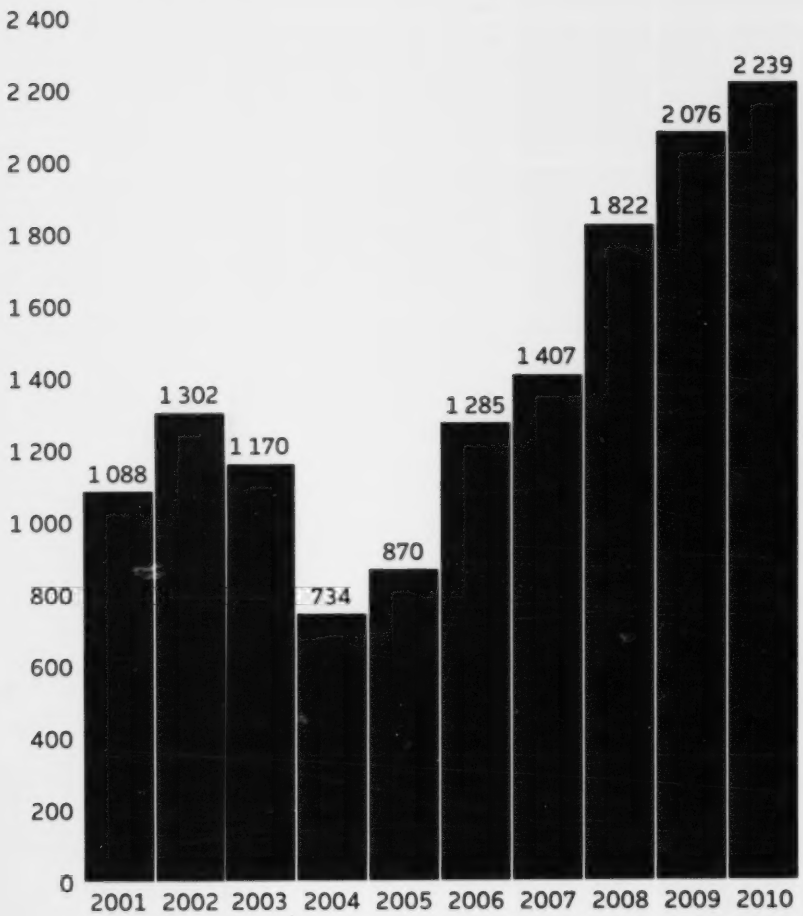
	2010	2009	Increase/(Decrease)
Natural Gas Deliveries			
		millions of cubic metres	
Residential sales	**669**	760	(91)
Commercial and industrial sales	**716**	802	(86)
	1 384	1 562	(178)
Transportation service	**619**	603	16
	2 003	2 165	(162)

MAINTAINING FINANCIAL STRENGTH



Manitoba Hydro continues to maintain a strong financial position, which enables us to invest in new developments to meet the needs of future generations while benefitting Manitobans today.

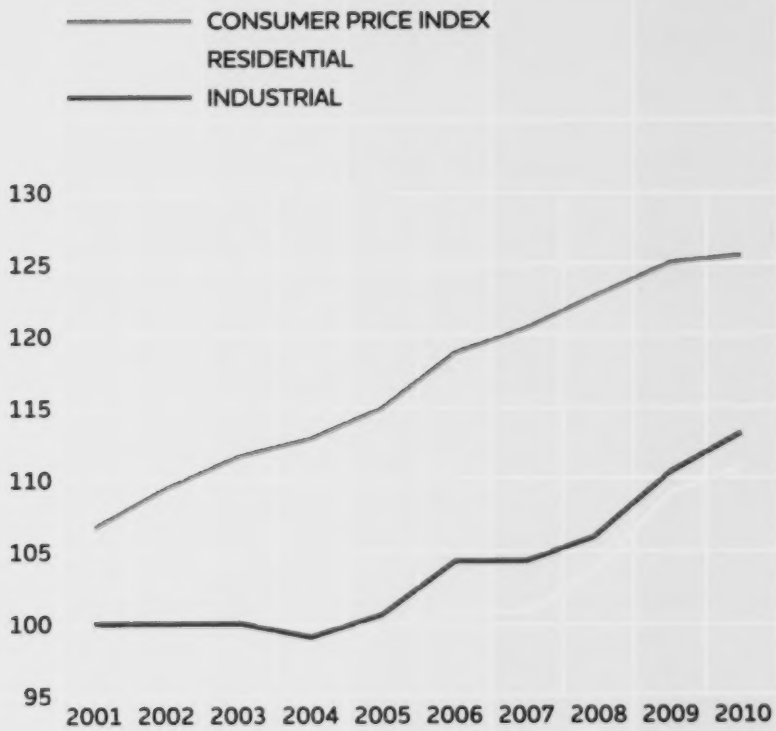
RETAINED EARNINGS
For the year ended March 31
(millions of dollars)



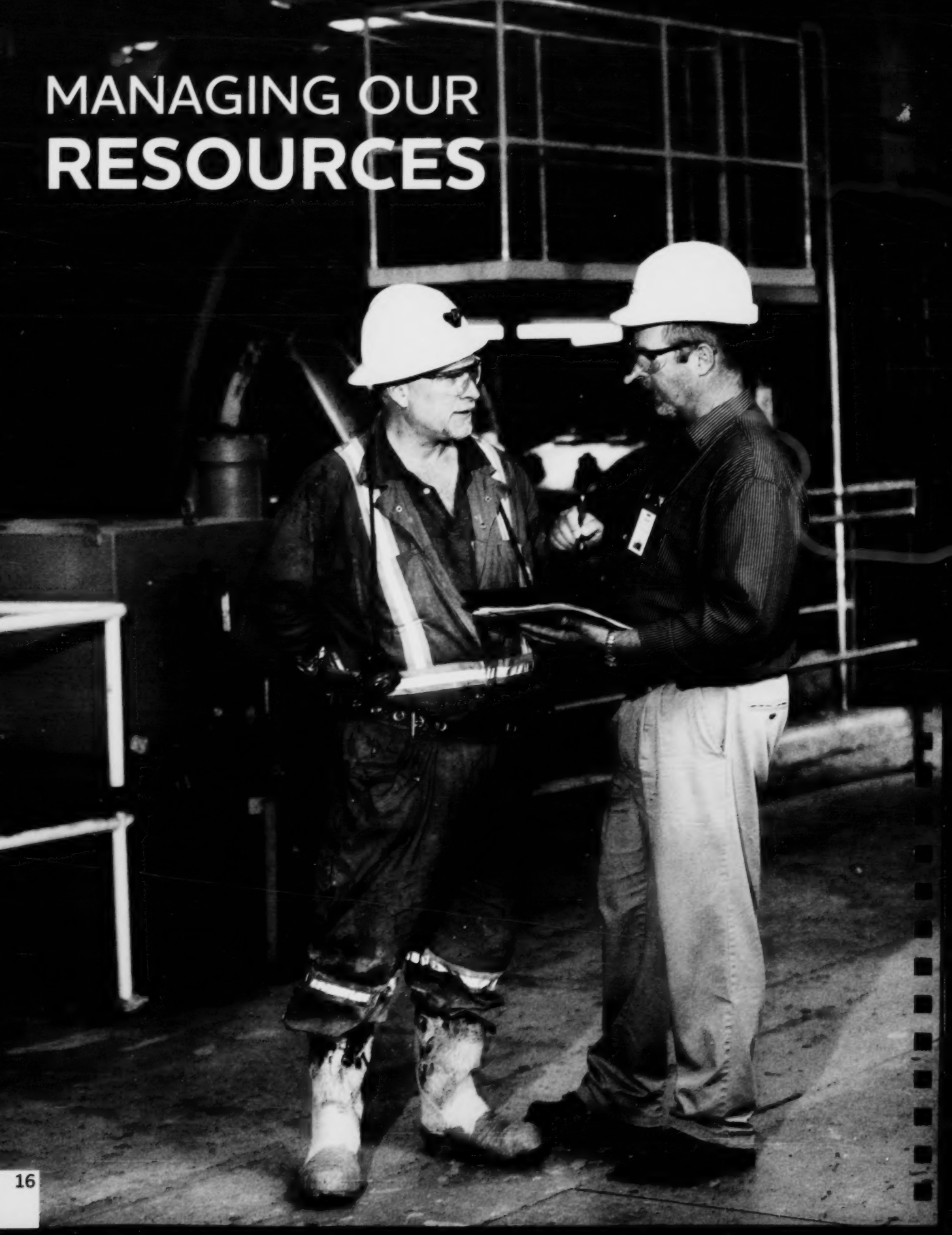
DELIVERING POSITIVE RESULTS

Manitoba Hydro is making responsible choices on behalf of Manitobans, which is why our domestic customers enjoy the lowest electricity rates in North America and why we can contribute over $1 billion, and thousands of jobs, to Manitoba's economy every year.

ELECTRICITY RATE CHANGES VS. MANITOBA CONSUMER PRICE INDEX
(1999 = 100)

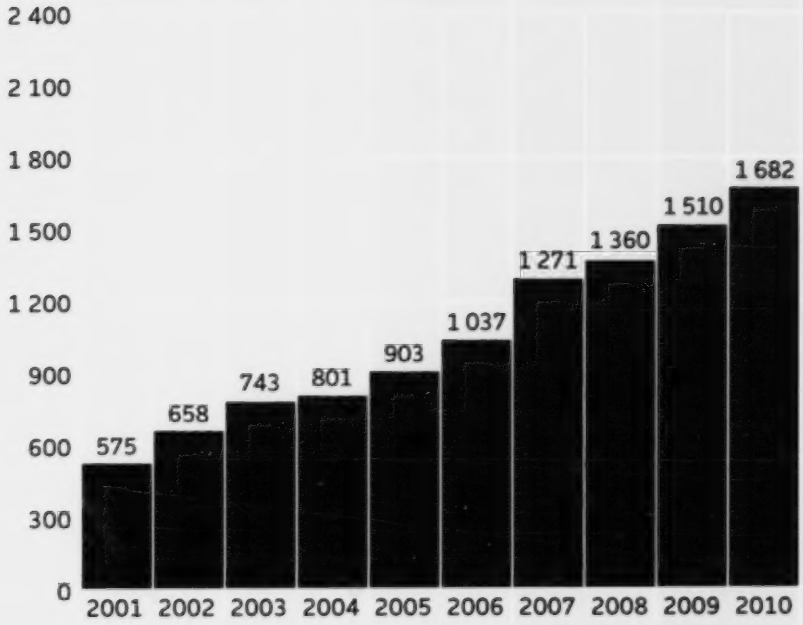


MANAGING OUR **RESOURCES**

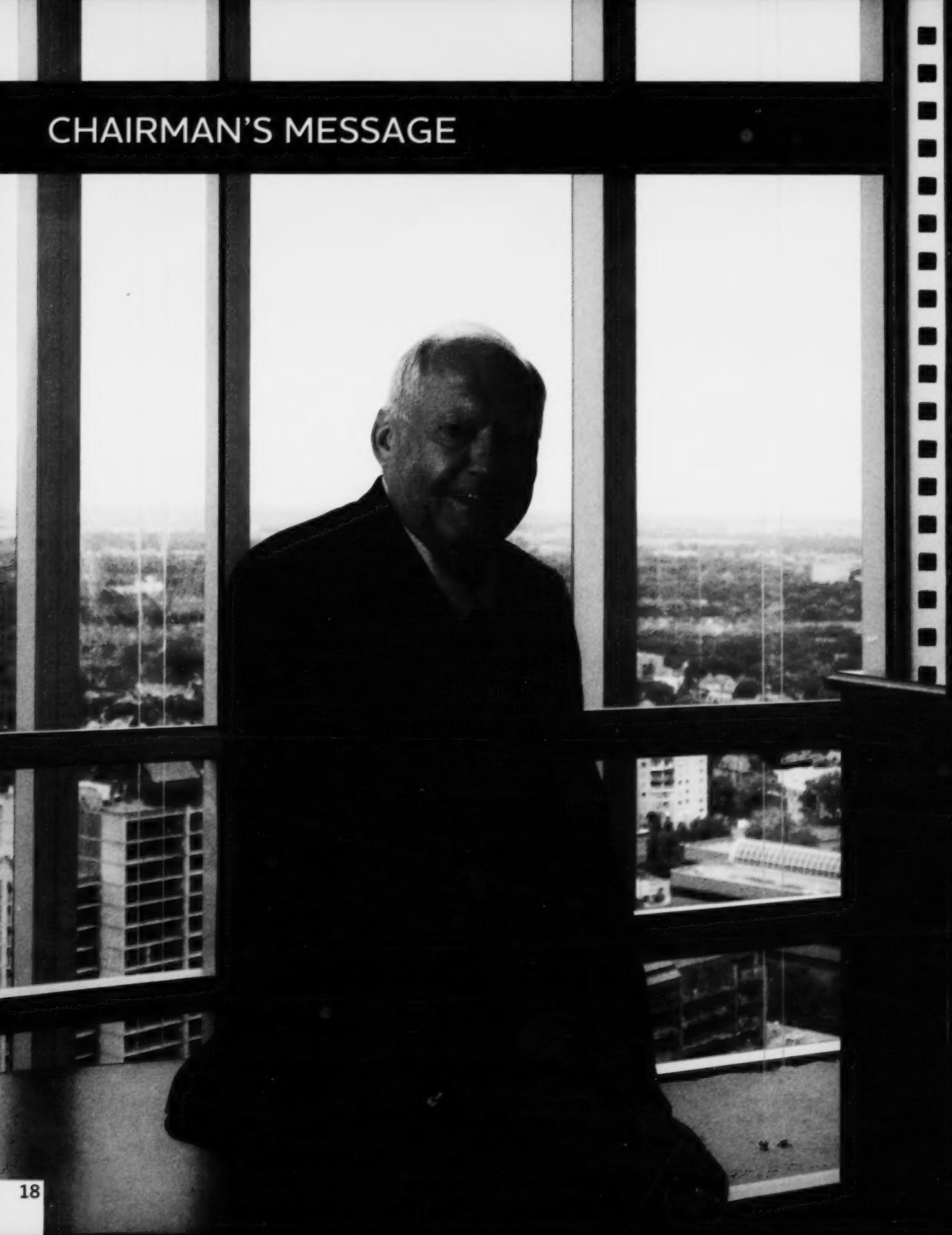


Manitoba Hydro continues to offer a wide range of services and programs to help Manitobans use their energy more efficiently, which is why our customers have realized over 1 682 gigawatt hours of electricity savings and 43.4 million cubic metres in natural gas savings in the last year — preventing over 1.2 million tonnes of greenhouse gas emissions.

ANNUAL ELECTRICITY SAVINGS
For the year ended March 31
(gigawatt hours)



CHAIRMAN'S MESSAGE



Contributing to Manitoba

The past fiscal year was exceptional for Manitoba Hydro with a number of significant achievements: the corporation was recognized for having the best safety record among Canadian natural gas utilities; it achieved significant progress on construction of the Wuskwatim Generating Station; and, it officially opened a new head office, already internationally recognized as one of the most energy efficient office buildings in the world.

The Manitoba Hydro-Electric Board was also pleased with the corporation's efforts to assist Manitoba businesses affected by the global economic downturn. The Partial Bill Payment Deferral Program was a responsible reaction to the pressures some Manitoba Hydro customers faced to cut costs in the short term. This temporary relief very likely helped protect our provincial economy from the cascading effect of additional layoffs or closures.

Ensuring that Manitoba Hydro continues to be a vital and valuable contributor to the Manitoba economy is a core focus of the board and senior management. There were a number of notable developments in the past year that demonstrate this focus.

Manitoba Hydro further diversified its portfolio of sustainable energy, signing an agreement with Pattern Energy to purchase electricity from a 138-megawatt wind farm to be built near St. Joseph. The corporation already purchases electricity from a 99-megawatt wind farm near St. Leon.

Important progress was made on the Bipole III project to enhance the reliability of Manitoba's transmission network and provide additional transmission capacity for delivery of existing and proposed hydroelectric generation to southern markets. A third round of consultations was held as part of the Site Selection and Environmental Assessment process to review various routing alternatives for the new high voltage direct current line on the west-side of the province. Those consultations included meetings with Aboriginal communities, resource users, municipal governments, communities, stakeholders and the public. A decision on the final route for the line is expected later this year.

Another project that will enhance the reliability the province's transmission system got underway this year at the Riel site just east of Winnipeg. The Riel Reliability Improvement Initiative will see a new terminal station built by 2014 that will create a second point on the 500-kilovolt transmission interconnection where electricity imported from the United States can be injected into the province's southern electricity grid. This interconnection is a critical supply line for Manitoba that provides electricity during periods of prolonged drought or unexpected outages.

The Manitoba Hydro-Electric Board also noted the corporation's continued efforts to strengthen its working relationship with Aboriginal peoples. In particular, Manitoba Hydro remains committed to finding ways to fairly mitigate or compensate for impacts from past projects. The board has met with the chief and council of Cross Lake and agreed to work together to create an environment whereby the corporation can implement the intention of the Northern Flood Agreement to the satisfaction of the Cross Lake First Nation. Cross Lake remains the only First Nation signatory to the Northern Flood Agreement proceeding with its implementation without any supplemental clarifying agreement.

A personal highlight from the past year was the opportunity to be a part of the grand opening of Manitoba Hydro Place in September 2009. The magnificent new building in the heart of downtown Winnipeg is a living testament to many of the corporation's finest characteristics — efficiency, innovation and opportunity.

I would like to thank my fellow board members for their valued contributions and acknowledge Ken Hildahl who left the board in 2009 to become CEO of the Manitoba Liquor Control Commission.

I also want to express my gratitude to Bob Brennan, President & CEO, and the employees of Manitoba Hydro for their dedication to this corporation and its customers. Their efforts continue to prove Manitoba Hydro is the best utility in North America.

— Victor H. Schroeder, QC
Chairman
Manitoba Hydro-Electric Board

PRESIDENT AND CEO'S MESSAGE

Creating an enduring legacy for Manitoba

In spite of the global economic downturn continuing to create challenges, Manitoba Hydro posted good results this fiscal year and is in the strongest financial position of our history.

We saw the decline of electricity prices on the export market due to reduced power demand and low prices for natural gas-fuelled generation. We also saw exchange costs rise as the Canadian dollar increased in value relative to the U.S. dollar. Still, the corporation was able to bolster our financial position — an accomplishment that can be directly attributed to effective management of these and other risks.

The corporation achieved net income of $163 million for the fiscal year. This financial performance allowed Manitoba Hydro to achieve a 73:27 debt/equity ratio — improving beyond our target of 75:25. Other financial measures for interest coverage and capital coverage also remain strong, ensuring Manitoba Hydro is well positioned to invest in the new generation and transmission projects that will pay huge dividends to future generations of Manitobans.

As the "Building a powerful future" theme for this year's annual report suggests, Manitoba Hydro is committed to ensuring Manitobans continue to benefit from our province's abundant energy resources. That commitment includes the 200-megawatt Wuskwatim Generating Station, which is being built in partnership with the Nisichawayasihk Cree Nation. The first concrete was poured in May 2009 and by the end of the fiscal year the powerhouse was enclosed and the overhead crane in place, setting the stage for installation of the station's three generators. The first unit is expected to be producing electricity by the end of 2011 — three years ahead of its requirement for Manitoba needs. Advancing Wuskwatim's in-service date will create opportunities for export sales that will offset the cost of construction and help keep electricity rates low in Manitoba.

Future developments by Manitoba Hydro will also be undertaken in a financially responsible manner. We are continuing with planning activities for two other generating stations — Keeyask and Conawapa. Keeyask could be built as early as 2018 and Conawapa as early as 2022. However, construction of these stations will only go ahead once firm export sales contracts for the energy can be secured.

We made significant progress on that front this year with the signing of a 10-year export contract with Xcel Energy worth over $3 billion to begin in 2015. We also continued negotiations with Wisconsin Public Service and Minnesota Power related to long-term sales totaling 750 megawatts.

In May 2009, I had the honour of traveling to Split Lake on behalf of the corporation to take part in the official signing of the Joint Keeyask Development Agreement with Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. The agreement outlines the partnership arrangement for developing the Keeyask Generating Station.

We also continue to work with a number of First Nations as well as Aboriginal and government organizations to create opportunities for Aboriginal people to gain the skills and training needed to work on these projects. The successful Hydro Northern Training and Employment Initiative, for example, delivered training to over 2 200 northern Aboriginal people over the last five years.

Manitoba Hydro is also investing in its transmission network to enhance reliability and create capacity for new hydroelectric generation. This year, we made good progress on construction of the transmission facilities associated with Wuskwatim and are on schedule to complete this portion of the project by the summer of 2011. In addition to connecting Wuskwatim to the provincial power grid, the new transmission lines will serve to strengthen the reliability of the network in the northwestern part of the province.

We also continued to work toward the start of construction on Bipole III — a new transmission line required as soon as possible to improve the reliability of Manitoba Hydro's high voltage direct current transmission system. This system currently delivers over 70 per cent of Manitoba's generating capacity to southern markets. We expect to announce a specific route for Bipole III and begin the final round of public consultations later this year with the intent of completing the line by 2017.

Continued on next page >

Meeting Manitoba's future energy needs in a responsible manner also includes helping our customers use current resources as effectively as possible. Through our Power Smart programs we continue to offer innovative solutions to customers looking to lower their energy costs. Last year over 125 000 residential customers and 2 590 business customers participated in our programs, saving over 1 600 gigawatt hours of electricity and over 43 million cubic metres of natural gas. Our Power Smart activities are expected to achieve annual electricity savings of 3 270 gigawatt hours and 172 million cubic metres of natural gas by 2025.

Our vision is to be the best utility in North America and we've achieved that in virtually every measure. We have the lowest electricity rates in North America, the highest customer satisfaction and one of the best energy conservation programs anywhere. And, I'm confident that we continue to do the work necessary to build on this success and ensure Manitoba's energy legacy endures.

This corporation's success would not be possible without experienced, highly skilled people working together toward common goals. I would like to thank the employees of Manitoba Hydro for their hard work and dedication.

I would also like to thank Vic Schroeder and the other members of the Manitoba Hydro-Electric Board, for their valued counsel during the past year.

— R.B. Brennan, FCA
President and Chief Executive Officer
Manitoba Hydro

THE YEAR IN REVIEW

Manitoba Hydro's new head office building in downtown Winnipeg

PLANNING OUR POWER

Manitoba Hydro has a strong record of investing wisely to meet the energy demands of our customers. For nearly 60 years, we've anticipated energy needs and developed financially sound and environmentally responsible solutions. This year we continued to build on our record.

Wuskwatim Generation Project

Construction of the Wuskwatim Generating Station continued during the fiscal year with more than half of the concrete poured for the station's various structures. The 200-megawatt station, located 45 kilometres southwest of Thompson on the Burntwood River, is being developed by the Wuskwatim Power Limited Partnership (WPLP), a partnership involving Manitoba Hydro and Nisichawayasihk Cree Nation (NCN). It is the first generating station to be built in this province since completion of Limestone in 1992 and the first time in Canada that a First Nation and an electric utility have entered into a formal partnership arrangement to develop a major hydro generation project.

The first concrete was poured for the station's spillway structure in May 2009. Since then, all of the concrete work for the spillway was completed and the installation of gates and hoists started in early spring 2010. Concrete work also continued in the service bay and powerhouse areas throughout the winter. The majority of civil works for the Wuskwatim Generating Station are scheduled to be complete, and the first of three generating units placed in operation, by late 2011. The estimated cost of the project, including related transmission facilities, is approximately $1.6 billion.

Project employment peaked at just over 1 000, with Aboriginal workers continuing to comprise a significant proportion of the workforce. From the start of construction to March 2010, 44 per cent of project hires have been Aboriginal. Cross-cultural training sessions, ceremonies and counseling services designed to convey respect for the environment and for local culture are available to all site workers.

Environmental protection plans outlining measures to safeguard the environment and minimize adverse effects arising from construction activity continued to be implemented.

Environmental, social and economic monitoring also continued. Activities included a review of stream crossings along the project's 48-kilometre access road, monitoring of sediment and erosion processes and heritage resource investigations during key construction activities. Work also began on fish habitat compensation projects throughout the future forebay, upstream of the station site.

Xcel Energy sale

Manitoba Hydro and Xcel Energy agreed to an electricity export arrangement for 2015 to 2025. Worth more than $3 billion, the deal replaces a 500-megawatt sale that expires in April 2015 with a 375-megawatt sale that can be increased to 500 megawatts starting in 2021. It also extends a 350-megawatt seasonal diversity exchange of power until 2025. The seasonal diversity agreement allows the two utilities to exchange electricity based on a summer demand peak in the United States and a winter demand peak in Manitoba.

Wisconsin and Minnesota power sales

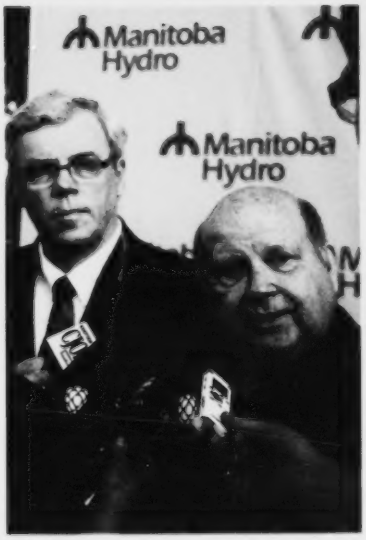
Negotiations and transmission studies continued with Wisconsin Public Service and Minnesota Power for the purchase of 750 megawatts of long term firm power from Manitoba Hydro. The sales would begin after the completion of the Keeyask and Conawapa generating stations. They also require construction of a major new transmission interconnection to the United States that would substantially increase Manitoba Hydro's ability to export and import electricity. The transmission studies are scheduled for completion in 2010 and the agreements should be finalized in 2011.

Keeyask Generating Station

In May, Manitoba Hydro signed the Joint Keeyask Development Agreement (JKDA) and the respective Adverse Effect Agreements with the Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation. Under the partnership arrangement outlined in the JKDA, the four Keeyask Cree Nations collectively have the right to own up to 25 per cent of the partnership.

The proposed 695-megawatt Keeyask Generating Station would be built on the Nelson River, approximately 60 kilometres downstream from Split Lake and 175 kilometres northeast of Thompson. The current schedule targets 2018 as the station's earliest in-service date.

Environmental field investigations are largely complete and the emphasis is now on preparing the project's environmental impact statement. Preparation of the business case for future generation, which will be considered by appropriate review bodies on behalf of regulators, was also initiated.



Left: Manitoba Premier Greg Selinger and Manitoba Hydro President and CEO, Bob Brennan, speak to media after announcing a power sale to Xcel Energy. **Centre**: Rebar work at Wuskwatim. **Right**: The Joint Keeyask Development Agreement signing ceremony in Split Lake.

Conawapa Generating Station

A formal planning process is underway with communities in the vicinity of the proposed Conawapa Generating Station, including Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation. A Memorandum of Understanding was agreed to by Fox Lake Cree Nation, Manitoba Hydro and the Province of Manitoba in 2004 which recognizes that Fox Lake will have a leading and significant role in the planning process of the Conawapa project because of the unique effects it will have on their community.

The proposed Conawapa Generating Station would be located 800 kilometres north of Winnipeg on the Lower Nelson River, about 90 kilometres downstream of Gillam, in the Fox Lake Resource Management Area.

Conawapa would have the capability of producing approximately 1 485 megawatts of electricity, making it the largest generating station in the province. It would bring the total hydroelectric generating capability of the Nelson River alone to nearly 5 500 megawatts.

While no final design, development or construction decisions have been made, engineering, environmental and public consultation activities are underway. Under the current schedule, the station's earliest in-service date is 2022.

Kelsey rerunnering continues

Extensive maintenance work that will increase the capability of Manitoba Hydro's Kelsey Generating Station continued through the year. The rehabilitation of the station's seven generating units includes the installation of more efficient turbine runners, modifications to draft tubes in the station's powerhouse to improve water flow and efficiency, and the rewinding of rotor and stator assemblies within the generators.

While the work will extend the operational life of the 49-year-old station's generating units, it also provides an opportunity to enhance electricity production by making more effective use of the available water resource. When completed in 2013, the project is expected to increase the total output of the Kelsey Generating Station by an estimated 84 megawatts at a cost of $295 million.

Pointe du Bois spillway replacement

After an extensive evaluation of options for the modernization of Manitoba Hydro's Pointe du Bois Generating Station that considered a number of factors, such as rising construction costs, the corporation decided not to completely rebuild the facility but rather to build a new spillway as well as new concrete and earth dams. These improvements will ensure the station meets modern dam safety guidelines. The existing powerhouse will continue to operate with on-going activities to maintain safety and reliability. Manitoba Hydro is currently working on completing the environmental assessment for the redefined project.

St. Joseph Wind Farm

Manitoba Hydro and Pattern Energy signed a 27-year power purchase agreement in March 2010, paving the way for construction of a 138-megawatt wind farm near St. Joseph, about 100 kilometres south of Winnipeg. When it's completed in 2011, Manitoba will have two of the 10 largest wind farms in Canada. The St. Joseph Wind Farm will cover 125 square kilometres and include 60 turbines each producing 2.3 megawatts.

Pattern Energy will invest $95 million into the project. Manitoba Hydro will lend the project up to $260 million to be repaid with interest over 20 years. These repayments will be deducted from what Manitoba Hydro owes for the purchase of the wind power.

ENSURING OUR RELIABILITY

Manitoba Hydro is responsible for providing the province with a reliable supply of energy. Maintaining a secure and dependable transmission and distribution network for the delivery of electricity and natural gas is critical to meeting this mandate. This year, we undertook a number of projects to enhance our system and integrate new generation.

Wuskwatim transmission facilities

Construction of two 230-kilovolt transmission lines from the Wuskwatim Generating Station to Herblet Lake, near Snow Lake, was completed in March. The lines are part of an extensive effort to construct new transmission facilities required to reliably connect Wuskwatim to the transmission network. The project includes almost 500 kilometres of new 230-kilovolt transmission lines as well as two new transmission stations — a conventional air-insulated station near Thompson, called Birchtree, and a gas-insulated station at the Wuskwatim site. The remaining section of transmission line — from Herblet Lake to The Pas, including expansion of the substation in The Pas — will be completed in spring 2011. Aboriginal and Northern employment has ranged between 50 and 55 per cent for the entire transmission line project.

Riel Reliability Improvement Initiative

Construction began in 2009 at the future site of the Riel Converter Station to create a new terminal station for the existing 500-kilovolt transmission line between Manitoba Hydro's Dorsey Converter Station and the Forbes Station in Minnesota. Once completed, the 500-kilovolt line will effectively become two transmission line sections, linking the Dorsey, Riel and Forbes stations. The new Riel terminal will serve as an alternate point for injecting electricity imported from the United States into the province's transmission system. The station is scheduled for completion in 2014.

Bipole III

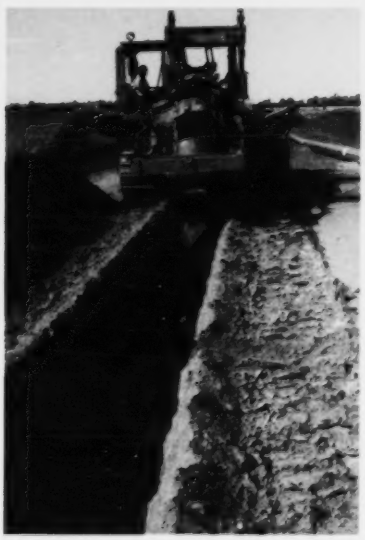
The Site Selection and Environmental Assessment process to identify a specific proposed route for the new Bipole III high voltage direct current transmission line on the west side of the province continued throughout the year. The third round of consultations presenting alternative route options was completed in March 2010. Meetings were held with rural municipalities, Aboriginal communities and other stakeholders. Twenty regional public open houses were also held. The final round of consultations is expected to begin in 2010 and the environmental impact statement is scheduled for submission to regulatory authorities in June 2011.

Bipole III is a needed addition that will significantly enhance the reliability of the critical high voltage direct current system. The new line will originate at a new converter station, called Keewatinoow, near the Conawapa site and terminate at the Riel Converter Station site east of Winnipeg. These new converter stations will provide important diversity to the system, particularly in southern Manitoba where the Dorsey Converter Station is currently the sole receiving point for over 70 per cent of the province's power supply. The line is expected to be completed in 2017.

Reliability compliance audited

The Midwest Reliability Organization, a non-profit organization dedicated to ensuring the reliability and security of the bulk power system in the north central region of North America, conducted an audit of Manitoba Hydro's compliance with North American Electric Reliability Corporation (NERC) standards. This third party audit resulted in an assessment of full compliance.

The corporation signed an agreement in June 2008 authorizing NERC and the Midwest Reliability Organization to undertake a compliance monitoring and enforcement program to ensure Manitoba's system operates reliably as part of the larger regional electricity grid.



Left: One of the towers on the new Wuskwatim transmission line is lifted into place. **Centre**: Mitch Kula, of Valard Construction, tensions a guy wire to stabilize the tower. **Right**: Digging a trench for a natural gas transmission pipeline.

TransCanada Keystone Pipeline project

Manitoba Hydro designed and installed 42 kilometres of 66-kilovolt wood pole line to supply four new pumping stations being built by the TransCanada Keystone Pipeline Limited Partnership. TransCanada Pipelines plans to transport oil via Rapid City, Portage la Prairie, Haskett and Carman as part of their 3 000-kilometre crude oil pipeline running from Alberta to Illinois and Oklahoma.

Brandon to Forrest pipeline expansion

A project to twin an 11.5-kilometre section of natural gas transmission pipeline between Brandon and Forrest was completed in October 2009. The expansion was undertaken to assist in supplying the Brandon Generating Station's natural gas turbines, KOCH Fertilizer Canada Ltd., as well as the network in southwestern Manitoba.

High voltage test facility

Work began on a new high voltage test facility in Winnipeg. Designed to handle the largest power equipment used by Manitoba Hydro, such as 250-tonne extra high voltage transformers, the facility will allow testing of new equipment on delivery to help avoid potentially dangerous and costly in-service failures. The corporation will also be able to provide commercial testing services to local manufacturers as well as researchers from the University of Manitoba. The facility is scheduled for completion in April 2011.

Trucks are loaded with clay fill destined for the Riel site near Winnipeg. Over 1.1 million cubic metres of clay was used to raise the elevation of the site to minimize flood risk.

MANAGING OUR ENERGY

Manitoba Hydro's Power Smart programs help our customers get the most out of their energy — saving them money and strengthening the province's economy. In addition, the electricity saved supports export sales that help to keep rates low and reduce greenhouse gas emissions by other utilities.

Manitoba Hydro Place

Even before Manitoba Hydro's new head office in downtown Winnipeg officially opened in September 2009, it was receiving accolades, including the title of 2009 Best New Tall Building in the Americas from the Council on Tall Buildings and Urban Habitat, a Brownie Award from the Canadian Urban Institute and the 2009 ArchDaily Building of the Year in the Office category. In addition, the building has been featured in dozens of magazines, newspapers, books and television programs. The Toronto Star called Manitoba Hydro Place, "Canada's most important new building."

As a company that promotes the efficient use of energy, Manitoba Hydro was committed to building a new head office that would be a showpiece for the future of healthy, sustainable and energy-efficient design. During the planning and design process, the corporation targeted a 60 per cent reduction in energy consumption compared to the Canadian Model National Energy Code for Buildings. To date, Manitoba Hydro Place is actually achieving a 65 per cent reduction in energy use, making it the most energy-efficient office tower in the western hemisphere.

North America's most successful on-bill loan

Customers continued to take advantage of the popular Power Smart Residential Loan Program, pushing the finance plan to a total of $213 million in loans for energy efficient renovations since 2001. With over 54 000 customers participating, the Power Smart Residential Loan Program is the most successful on-bill finance plan in North America according to a recent report for the Southwest Energy Efficiency Project.

Manitoba Hydro maintained a reduced interest rate of 4.9 per cent for the loan recognizing the opportunity to capitalize on the federal renovation tax credit and further stimulate home renovation activity in the province. Homeowners can borrow up to $7 500 per residence and use the loan in conjunction with other Power Smart programs. The loans are conveniently re-paid on customers' monthly bills over a term of 60 months.

There's never been a better time

A new marketing campaign, "There's Never Been a Better Time to Renovate," urged customers to capitalize on the many residential incentives available for energy efficient renovations. The campaign ran from August to October and included radio, newspaper, billboard and bus bench advertising.

In the fiscal year, Manitoba Hydro assisted customers in claiming $4 million in federal grants, double the $1.9 million paid out the previous year. The grants to customers peaked in December 2009, at over $580 000 for the month.

Manitoba Hydro celebrated the opening of its new head office in downtown Winnipeg on September 29, 2009.
Left: Gary Doer, then-premier of Manitoba, and Bob Brennan, President & CEO of Manitoba Hydro, cut the ribbon at the opening.

Small Changes Add Up

Manitoba Hydro continued with the successful "Small Changes Add Up" marketing campaign, promoting awareness of the Power Smart brand and the small changes a homeowner can make to use less energy and save money. The campaign utilizes newspaper, television, radio, transit and outdoors ads to promote various energy efficient technologies.

Bioenergy project demonstrations

Manitoba Hydro introduced five new bioenergy demonstration projects that will be developed at various locations throughout Manitoba in 2010 as part of the Power Smart Bioenergy Optimization Program. The initiative is a collaboration with five commercial customers aimed at advancing renewable and clean energy technologies.

The first project will showcase the potential of using biomass liquid fuel at Tolko Industries' kraft paper mill in The Pas. Known as pyrolysis oil and derived from woody biomass, it will replace standard fuel oil in one of the plant's steam boilers.

The demonstration program qualified for funding through the Government of Canada's Clean Energy Fund, established in 2009 to support demonstrations of renewable and clean energy technology in Canada.

Left: Manitoba Hydro's Small Changes Add Up marketing campaign continued to showcase easy ways to save on energy costs. **Centre**: Scott Hopkins of Manitoba Hydro meets with Bill Bashucky of Old Dutch Foods. **Right**: Redcliff Realty made a number of technology upgrades to their office building with assistance from Manitoba Hydro.

Savings for customers

Redcliff Realty

In June, the Building Owners and Managers Association of Manitoba presented Redcliff Realty with the 2009 Earth Award for renovations to their 11-storey office building located at 400 St. Mary Avenue in Winnipeg. Redcliff Realty made a number of technology upgrades to the building with assistance from the Power Smart for Business Program, including the installation of energy-efficient lighting, high-efficiency chillers and condensing boilers. Redcliff expects to save 382 000 kilowatt hours of electricity and 75 000 cubic metres of natural gas per year.

Towers Realty Group

In March, Towers Realty Group received the Innovation Award from the Professional Property Managers Association of Manitoba in recognition of renovations at seven apartment buildings undertaken with help from the Power Smart Building Envelope, Lighting and Parking Lot Controller programs. Manitoba Hydro's energy experts first provided energy audits to assess the savings potential and then a cost and benefit analysis to ensure the improvements would pay for themselves in reduced operating costs. Towers Realty Group expects to save 377 000 kilowatt hours of electricity and 365 550 cubic metres of natural gas per year.

Manitoba Liquor Control Commission

The Manitoba Liquor Control Commission (MLCC) received a Manitoba Excellence in Sustainability Award thanks, in part, to expert advice and financial incentives from Manitoba Hydro. When the MLCC was looking to improve the energy efficiency of their facility at 1555 Buffalo Place in Winnipeg they turned to the Commercial HVAC, Building Envelope, Lighting and Parking Lot Controller programs. Condensing boilers, efficient chillers, energy-efficient windows, T5 linear and compact fluorescent fixtures and parking lot controllers were first installed in 2006. These upgrades have since resulted in annual electricity savings of 375 000 kilowatt hours and annual natural gas savings of 20 000 cubic metres.

McCain Foods

The McCain Foods french fry processing plant in Carberry received an environmental leadership award from Natural Resources Canada and the Canadian Industry Program for Energy Conservation for a project undertaken with help from Manitoba Hydro. Using technical guidance and financial incentives available under the corporation's Natural Gas Optimization Program, McCain foods installed a heat recovery system in the exhaust vents of its deep fryers. The heat salvaged from the deep fryer exhaust is now transferred to process water needed throughout the plant. The modifications are expected to reduce McCain Foods' annual natural gas consumption by 1.9 million cubic metres, saving them more than $500 000 annually and reducing greenhouse gas emissions by up to 2 230 tonnes.

Rice Lake Mine

San Gold's Rice Lake Mine at Bissett improved the energy efficiency of its main hoist drive and compressed air system after recommendations by Manitoba Hydro's energy management experts. The hoist drive, used to lift ore out of the mine, was replaced with an energy-efficient one that increased hoist capacity and reduced electricity consumption by 60 per cent. The mine also consolidated four compressors at a single location, then added variable speed drives and an air storage reservoir to improve efficiency of their air system by over 50 per cent. Together, the projects saved 6.4 million kilowatt hours, lowering the mine's annual electricity bills by over $240 000.

Old Dutch Foods

Following an intensive energy audit by Manitoba Hydro, Old Dutch Foods made refinements to the compressed air and nitrogen system they use to maintain the freshness of the more than 1 million bags of potato chips manufactured at their Winnipeg plant each week. Measures included adding a reservoir to store nitrogen, repairing leaks in the nitrogen system and combining the compressed air and nitrogen into a single system. The refinements increased reliability at the plant and cut the energy cost of operating the nitrogen system by 50 per cent for annual electricity savings of 441 000 kilowatt hours and a $27 000 reduction on its electricity bill.

SERVING OUR CUSTOMERS

Manitoba Hydro's approach to customer service is rooted in our history — with employees in small rural offices who often knew every customer by name. Today, whether our office is in Hamiota or Winnipeg, we still consider our customers our neighbours and it is this understanding that has helped establish Manitoba Hydro as a leader in customer satisfaction.

Customer call system lauded

Manitoba Hydro's Interactive Voice Response (IVR) system, used to direct customer phone calls to appropriate staff or self-service options, was ranked among the best of all natural gas and electric utilities in Canada. The study by E Source, an independent research company, ranked IVR systems in Canada and the United States based on usability and functionality.

Preparing for pandemics

The spread of the H1N1 influenza virus heightened Manitoba Hydro's awareness of the potential impacts a pandemic could have on business operations. The corporation worked proactively to develop the necessary tools for education and prevention as well as business continuity plans to ensure critical operations were maintained in the event of large-scale employee absenteeism.

Customer satisfaction with gas rates

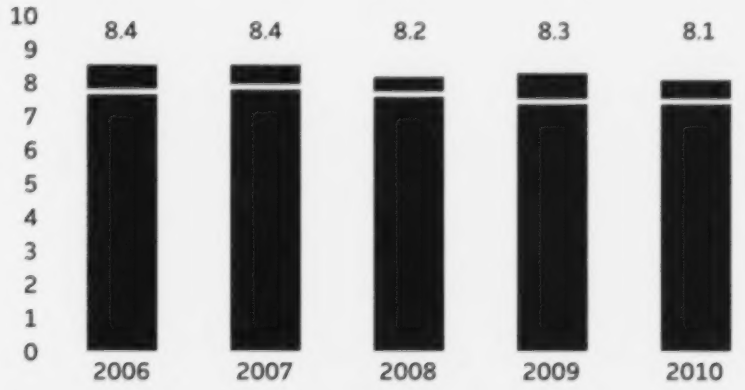
Customer satisfaction with natural gas rates reached its highest point since Manitoba Hydro acquired Centra Gas in 1999. The result was measured in the Customer Satisfaction Tracking Survey, a quarterly telephone survey of residential customers that tracks perception of Manitoba Hydro and its services. The high satisfaction levels are attributed to lower and less volatile natural gas rates during the survey period.

Fixed rate option for natural gas

Manitoba Hydro implemented a Fixed Rate Service for Primary Natural Gas after a pilot program. The service allows customers to choose between quarterly rate adjustments or a one, three, or five-year fixed rate for primary gas purchases. While the Fixed Rate Service does not guarantee cost savings, it does provide customers the choice to reduce market price risk.

CUSTOMER SATISFACTION WITH OVERALL SERVICE

(Source: MH quarterly customer satisfaction tracking study)



CEA average for all Canadian electric utilities

Electricity rate increase

In April 2009, Manitoba Hydro introduced a 2.9 per cent electricity rate increase for all customers, with the exception of the Area & Roadway Lighting category. Even with this rate increase, electricity customers in Manitoba continue to enjoy the lowest electricity rate structure in Canada and among the lowest electricity rates in the world.

Left: Customer satisfaction with natural gas rates reached its highest point this past year. **Centre**: Dean McBride helped create a device that makes moving houses or oversized machinery under powerlines easier and safer. **Right**: Marie Wheeler in Manitoba Hydro's Customer Contact Centre. The corporation's customer call system is considered one of the best in Canada.

Support during economic downturn

The past year saw many Manitobans affected by the global economic downturn. In particular, some industrial customers were forced to decrease production in a bid to reduce costs. However, part of each industrial customer's energy bill is based on peak demand. While a customer's overall energy use may decline because of fewer production shifts, the peak demand would remain the same during each shift and so would the demand charge portion of the bill. As a result, many of Manitoba Hydro's industrial customers actually experienced an increase in their unit cost of electricity.

To assist these customers and avoid broader economic impacts, the corporation implemented a Partial Bill Payment Deferral Program from June to the end of November 2009. In that six-month period, 24 industrial customers participated in the program for deferrals totaling approximately $1.3 million.

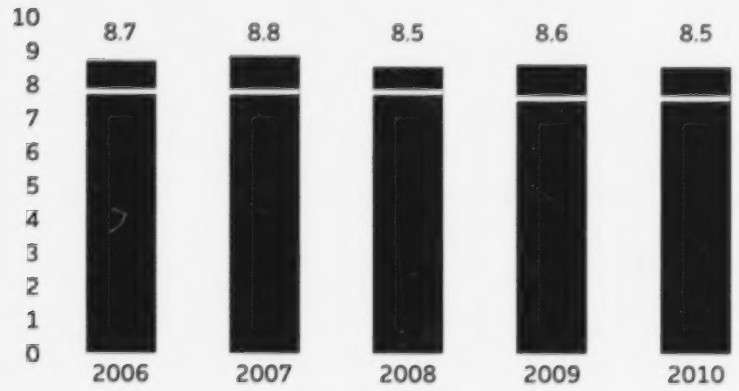
Advanced metering pilot concludes

A pilot of Advanced Metering Infrastructure Technology was completed in the fiscal year. Over 5 000 electricity customers and 1 000 natural gas customers in various Winnipeg locations as well as 200 electricity customers in rural locations had advanced meters installed as part of the pilot. The meters used short range radio or power lines to communicate remotely, sending information on energy consumption or power disruptions directly to Manitoba Hydro.

Viewed as a precursor to other smart grid efforts, the pilot was undertaken to assess the potential for the advanced metering technology to improve system reliability, increase accuracy in billing and assist in energy conservation efforts.

CUSTOMER SATISFACTION WITH SYSTEM RELIABILITY (electricity)

(Source: MH quarterly customer satisfaction tracking study)



CEA average for all Canadian electric utilities

IMPROVING OUR SAFETY

The men and women who work for Manitoba Hydro are the corporation's most important resource. Protecting that resource is a top priority and we continue to be recognized for our efforts to create a safe workplace. Nothing is more important than ensuring everyone goes home safely at the end of the day.

Corporate leader in industry safety

The Canadian Gas Association (CGA) presented their 2009 Corporate Safety Award to Manitoba Hydro in March 2010 for posting the best annual safety record among natural gas distribution companies in Canada. In presenting the award, the CGA also recognized Manitoba Hydro's contributions to the industry with respect to identifying and sharing best practices. This is the second time in the last three years that the corporation has received the award.

Safety training for employees

Also in March, the Human Resource Management Association of Manitoba recognized Manitoba Hydro's Safety Training for Leaders program with a Health and Safety Award. The comprehensive safety training program provides a foundation for all supervisory staff to reference when implementing the standards and systems supporting the corporation's safety management system. Over 900 employees have been trained since the program was introduced in 2008.

Safe work procedures

Manitoba Hydro introduced over 450 safe work procedures this year that were developed with occupational trade committees and trade working groups as a means to improve overall employee safety. The procedures will lead to a standardized approach to work tasks while helping employees consider job hazards, people, equipment, material and the environment.

PROTECTING OUR ENVIRONMENT

Manitoba Hydro embraces its role as a steward of the environment. Our proactive approach to protecting the environment is manifest in our ongoing ISO 14001 registration and our work to engage people, support research and form strategic partnerships so we can best anticipate and mitigate any impacts from our activities.

Caribou and wolf collaring

Manitoba Hydro participated in a study that is using global positioning system satellite collars to track boreal woodland caribou and wolves in an effort to establish the relationship between the two species and developments such as transmission lines. One of the potential issues being examined is how pathways through the forest, created by developments, can be used by wolves to more effectively prey on caribou.

Woodland caribou are identified under federal and provincial legislation as a threatened species. The corporation is working with a number of agencies, including Manitoba Conservation, to ensure any new transmission facilities do not have a negative effect on the province's caribou population. Approximately 120 caribou and 24 wolves were collared during the year and continue to be monitored across the northwestern and northeastern regions of the province. The collars will operate for three years updating an animal's location eight times a day. Information gained from the study will be used by Manitoba Hydro to select routes for future transmission lines, including Bipole III.

Nelson River estuary study

Manitoba Hydro is collaborating with ArcticNet, a group of 23 Canadian universities, five federal departments and over 100 partner organizations, to study potential effects of the proposed Conawapa Generating Station on habitat in the Nelson River estuary at Hudson Bay. After several years of summer work, this year marked the first winter monitoring program.

The extensive oceanographic monitoring will improve understanding of tides, temperature, salinity, sediment, currents, waves and ice conditions within the estuary and also establish a pre-development baseline. Hydraulic modeling will be used to help predict future conditions and assess the potential impacts of Conawapa and other developments on key environmental concerns such as fish and marine mammal habitat.

Wuskwatim Lake shoreline stabilization

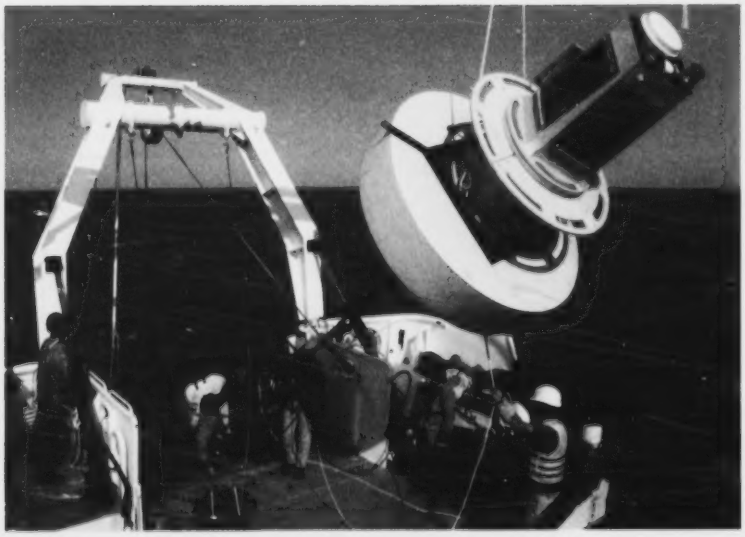
This winter, rock was placed on a frozen Wuskwatim Lake near some eroding sections of shoreline as part of a test of new shoreline stabilization techniques. When the ice melts, the rock will settle and help to stabilize the bank below the water. These rock sites will then be compared with other sites where woody and herbaceous vegetation is arranged and planted to prevent erosion. Known as soil bioremediation, this approach to shoreline stabilization is being tested at a total of six test sites on the lake as part of the Fisheries Act Authorization for the Wuskwatim Generating Station.

Lake sturgeon spawning enhancement

In 2009, Manitoba Hydro constructed a spawning shoal immediately downstream of the Pointe du Bois Generating Station's powerhouse to test the potential for creating habitat suitable for lake sturgeon spawning. The shoal will be monitored to determine use by lake sturgeon and further refine understanding of spawning habitat requirements. The knowledge gained from these spawning habitat enhancement trials will be used to improve future habitat enhancements and minimize the impact of future developments on lake sturgeon.

Environmental Partnership Fund

The Environmental Partnership Fund provided assistance to over 30 community-based projects and educational ventures in 2009. Established in 1993, the fund provides one-time or multi-year contributions towards environmental projects that relate to Manitoba Hydro's activities.



Left: A boreal woodland caribou is released with a newly fitted GPS collar that will track its movements. **Right**: Manitoba Hydro is part of an extensive effort to study the potential effects of proposed generating stations on the Nelson River estuary.

Forest Enhancement Program

Manitoba Hydro continued to contribute to enhancing and sustaining the natural and community forest environment in Manitoba with the Forest Enhancement Program. A few of the tree planting projects supported by the program include the Louis Riel Arts & Tech Centre, Niverville Heritage Garden, Ukrainian Youth Association of Canada, Aleph-Bet Child Life Enrichment Program Inc., Starview Manor Society Inc., Cross Lake Fire & Rescue Team, Thompson State Park Committee, and the Beautification Committee of the Ste. Anne Community.

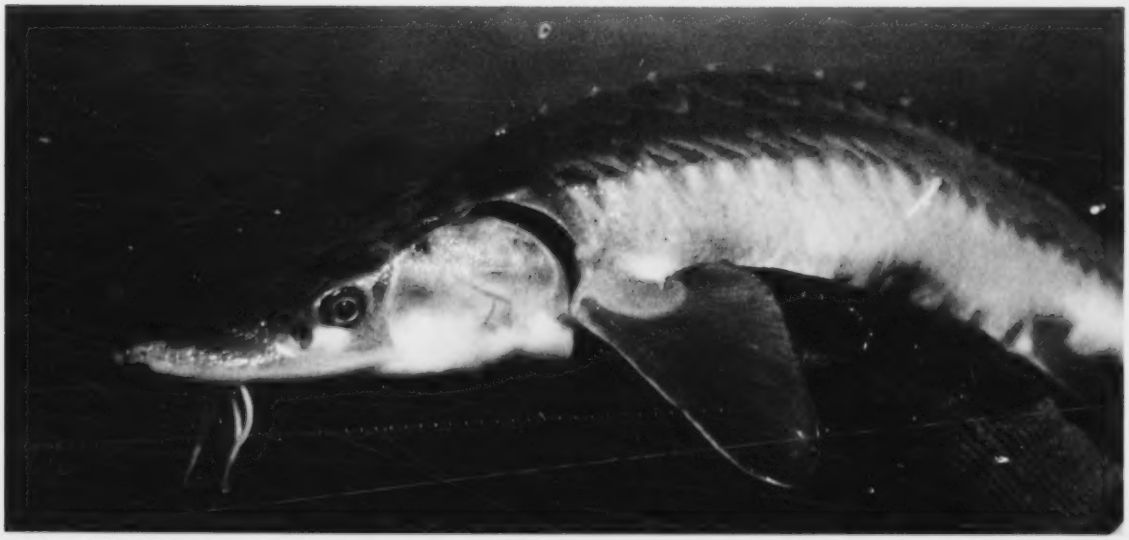
The Manitoba Conservation Districts Association, Fort Whyte Alive, Coalition to Save the Elms, Centre of Forestry Interdisciplinary Research and the University of Manitoba's department of biological sciences all play an advisory role in the Forest Enhancement Program.

Reduced coal-fired generation

On January 1, 2010, Manitoba Hydro restricted the operation of the single coal-fired unit at the Brandon Generating Station in accordance with a new regulation under the Climate Change and Emissions Reduction Act of Manitoba. The Coal-fired Emergency Operations Regulation, passed in November 2009, limits the use of coal to generate electricity in Manitoba to only those situations that threaten the electricity supply, such as a drought, or for maintenance purposes.

Plug-in hybrid electric vehicles

Recognizing the corporation's active role in plug-in hybrid electric vehicle research, Toyota selected Manitoba Hydro along with Manitoba Innovation, Energy and Mines and the University of Manitoba to test their new Prius plug-in hybrid under real-world operating and climate conditions. The test will gather information about plug-in hybrid operation and the technology's potential impact on electricity demand and infrastructure.



This juvenile lake sturgeon was caught and released during a Manitoba Hydro-funded study monitoring the species in the Winnipeg River.

ENHANCING OUR RELATIONSHIPS

Success in our business necessitates strong relationships built on fairness, equal opportunity and a recognition of diversity. Manitoba Hydro is proud of our interactions with our customers, employees, suppliers and other stakeholders, and the working relationships we've forged with Aboriginal communities.

Hydro Northern Training and Employment Initiative

The Hydro Northern Training and Employment Initiative, a multi-year training initiative designed to prepare northern Aboriginal people for employment opportunities on Wuskwatim and Keeyask, was completed in March.

Since its inception, over 2 250 northern Aboriginal people received training related to a variety of occupations such as caterers, security guards, carpenters, electricians, truck drivers and heavy equipment operators.

The $60-million training initiative was funded by Manitoba Hydro, Human Resources and Skills Development Canada, Indian and Northern Affairs Canada, Western Economic Diversification and the Province of Manitoba. The Wuskwatim and Keeyask Training Consortium administered the initiative.

Keeyask Employment Working Group

An employment working group was established with members of the Joint Keeyask Development Agreement. The purpose of the group is to implement a successful employment framework with Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation to prepare band members for operational jobs within Manitoba Hydro. Initiatives to date include hands-on interactive career sessions exposing community members to the type of work performed in trades positions as well as components of the hiring process.

Aboriginal Pre-Placement Training Program

A total of 29 new trainees were hired into Manitoba Hydro's Southern Aboriginal Pre-placement Training, Northern Aboriginal Pre-placement Training and Aboriginal Line Trades Pre-placement programs this year. The programs provide Aboriginal candidates the opportunity to gain on-the-job training to learn the skills and competencies required in technical trades and assists with mentorship and guidance for future employment with the corporation.

Generating Futures Scholarship Program

Manitoba Hydro established the Generating Futures Scholarship Program in 2009 which provides $10 000 individual scholarships for Aboriginal students studying in business, engineering, information technology or other technology programs whose graduates are in high demand at Manitoba Hydro. Four scholarships were awarded during the year.

Waterways Management Program

Manitoba Hydro's Boat Patrol initiative patrolled over 130 000 kilometres during the 2009 season, the highest total since the patrols started in 2004. The patrols are part of the Waterways Management Program which enhances the safety of northern waterways with its Safe Travel Routes, Debris Management and Boat Patrol initiatives.

Crews continually monitor waterways across the Burntwood, Churchill and Nelson River systems. The patrols place navigational markers, collect potential hazards such as floating logs and assist resource users at risk. Whenever possible, crew members are hired from local Aboriginal communities to work within their region. The number of crews grew to 18 this year with the establishment of a boat patrol on Wuskwatim Lake.

Resolving project related impacts

As of March 2010, Manitoba Hydro has spent a total of approximately $700 million for remedial works, compensation and mitigation initiatives in Manitoba. The corporation remains committed to resolving project-related impacts in northern Manitoba and working with communities adversely affected by past hydroelectric developments. That commitment includes fulfilling obligations in accordance with the 1977 Northern Flood Agreement and subsequent Comprehensive Implementation Agreements.

Left: Members of the Cedar Lake boat patrol, from left, Phillip Chartier, Keith Klyne, Irwin Ballantyne, and James Walker.
Right: Noelle Vialoux, a recipient of the Generating Futures Scholarship, with Bob Brennan, President & CEO of Manitoba Hydro.

SUPPORTING OUR COMMUNITIES

Manitoba Hydro enjoys a reputation for community involvement that is the product of extensive corporate sponsorship, a commitment to public safety and our employees' seemingly unending enthusiasm for volunteering.

Spreading the safety message to youth

The Youth Safety Program made presentations to over 12 000 students this year. The long-running program delivers electric and natural gas safety messages to grade four and six students across Manitoba with the assistance of local Manitoba Hydro employees.

Agriculture Safety Days

Manitoba Hydro participated in 17 community farm days, including events on three Hutterite colonies, in June. The safety days provided the opportunity to increase awareness of potential electrical or natural gas hazards, particularly those associated with outdoor activities in the summer.

High-speed for the north

Manitoba Hydro's involvement with Broadband Communities North, a non-profit organization that provides high-speed internet service to Aboriginal communities in northern Manitoba, was recognized at the Utilities Telecom Council's annual Apex Awards.

The corporation provides Broadband Communities North access to surplus capacity on its Interlake and Nelson River Optical Cable System, a fibre-optic network that stretches from Winnipeg to Gillam.

Power Smart Manitoba Games

Manitoba Hydro was the title sponsor of the Power Smart Manitoba Games held in Portage la Prairie in March 2010. The largest sporting competition in the province, the games bring together 1 600 young participants between the ages of 10 and 21 for a week of friendly competition. This was the corporation's third year as title sponsor of the event.

Manitoba Society of Seniors 55+ Games

In 2009, the corporation was a sponsor of the Manitoba Society of Seniors 55+ Games held in three Interlake communities. The games are the largest annual multi-sport event for this age group in the province. The corporation agreed to continue our partnership with the games for another three years, including the next games set for Killarney in the summer of 2010.

Power Smart Waterfall of Lights

Manitoba Hydro continued to sponsor the popular Power Smart Waterfall of Lights in Brandon. The festival displays seasonal LED lights and creates a winter destination along the city's river corridor incorporating a skating oval, cross-country ski trails, fire pits and warming shacks.

Left: Manitoba Hydro staff, like Don Lewis, give safety presentations to students throughout Manitoba.
Centre and right: Manitoba Hydro was a title sponsor of the Power Smart Manitoba Games in March 2010.

Power for the People

A temporary exhibit using artifacts and photos from Manitoba Hydro opened at the St. Boniface Museum in June. Titled "Power for the People: the social impact of electricity on everyday life in Manitoba," the exhibit told the story of how widespread use of electrical power dramatically changed life in Manitoba. Modular exhibits showcased early electrical artifacts in the home, outside the home and in the community.

Power Smart Island of Lights

In partnership with the City of Portage la Prairie, Manitoba Hydro coordinated the design of a new animated LED light display for the 11th annual Power Smart Island of Lights. The light display included eight sports images, highlighting the events that were a part of the Power Smart Manitoba Winter Games held in Portage la Prairie.

Promoting snowmobile safety

In 2009, Manitoba Hydro undertook a cooperative initiative with Manitoba Public Insurance and Snoman, a non-profit organization representing 51 snowmobiling clubs, to place safety signage on the snowmobile trail network throughout the province. The annual snowmobile safety campaign also included school posters, television advertising and releases for radio and newspapers. Manitoba Hydro has been active in promoting snowmobile safety since the early 1990s.

Left: Manitoba Hydro's safety mascot, Louie the Lightning Bug, is a familiar sight at children's festivals and events. **Centre**: The Power Smart Waterfall of Lights is a popular winter destination in Brandon. **Right**: Manitoba Hydro employee, Nancy Melnychuk poses with her son during the 2009 Power Smart/JCI-Winnipeg Santa Claus Parade.

CORPORATE GOVERNANCE

The board of Manitoba Hydro models its approach to corporate governance on best practices in Canada, the United States and Great Britain, as reflected in the advice and recommendations of bodies such as the Manitoba Crown Corporations Council, the Conference Board of Canada, the Corporate Executive Board and Canadian Security Administrators.

The board ensures the corporation's Code of Ethics, and ethics and social responsibility are considered in board decisions. Minutes of board meetings are public and the corporation's annual report and quarterly financial reports are tabled in the legislature. The corporation is reviewed by the Crown Corporations Council and by a committee of the legislature.

The Audit Committee of the board reviews the corporation's Integrated Financial Forecast and makes recommendations to the board. The Audit Committee reviews management's approach to managing risk and also carries out special investigations and reports the results to the board. The Audit Committee obtains opinions from external auditors, internal auditors and management on the quality of internal controls.

The board and Audit Committee review management's systems for ensuring legal compliance. Conflict of interest policies are in place for members of the board, officers and employees. The board ensures that certifications with respect to the accuracy of financial statements are provided by the CEO and CFO.

The board sits as the planning committee for the corporation and approves the Corporate Strategic Plan each year. The Human Resources Committee of the board has responsibility for making recommendations to the board with regard to succession planning.

Integrity Program

Manitoba Hydro encourages employees and others to speak up on matters of concern without fear of reprisal, through its Integrity Program. All disclosures under the Integrity Program are protected by strict rules of confidentiality.

Below is a summary of all disclosures received during 2009-10 which allege wrongdoing as defined in *The Public Interest Disclosure (Whistleblower Protection) Act:*

Total number of disclosures received:	15
Number of disclosures ongoing from 2008-09:	5
Number of disclosures acted upon:	20
Number of disclosures not acted upon:	0
Number of investigations commenced/continued:	20
Number of disclosures that were verified:	3

Corrective action was taken for each verified incident, as follows:

- Employee was cautioned about consorting with undesirable persons.
- Two employees received written reprimands for sexual content on computers and devices.
- An employee received a written reprimand for sexual harassment of a co-worker.

FINANCIAL REVIEW

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) reports on the consolidated financial results and operational performance of Manitoba Hydro for the year ended March 31, 2010 with comparative information where applicable. The MD&A also provides an assessment of Corporate risks and contains forward-looking statements regarding conditions and events which may affect financial performance in the future. Such forward-looking statements are subject to a number of uncertainties which may cause actual results to differ from those anticipated. The MD&A should be read in conjunction with the consolidated financial statements and notes.

As a provincially-owned Crown Corporation, Manitoba Hydro's mandate is to provide for the continuance of a supply of energy to meet the needs of Manitoba consumers in the most reliable, economic, and environmentally sustainable manner. In fulfilling its mandate, Manitoba Hydro has established a number of goals with related measures and targets. In addition to a review of financial and operational performance, the MD&A also reviews Manitoba Hydro's progress towards achieving its strategic goals.

OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations for the fiscal year ended March 31, 2010 was $163 million compared to $266 million in the previous fiscal year. The decrease in net income of $103 million compared to the previous year was largely attributable to lower electricity prices in export markets. Low export prices reflect reduced power demand due to poor economic conditions and the current low price for competing energy sources.

Consolidated net income of $163 million for the fiscal year 2010 was comprised of a $164 million profit in the electricity sector and a $1 million loss in the natural gas sector. The gas sector loss represented a $10 million reduction from the net income of $9 million in the previous year reflecting decreased volumes sold as a result of milder than normal weather during the winter of 2009-10.

Although consolidated net income for 2009-10 was lower than the previous year, results were better than expected by approximately $34 million. The higher-than-forecast net income was largely due to foreign currency gains associated with the stronger Canadian dollar and to an accounting change related to dual currency bonds.

Net income of $163 million in 2009-10 increased the Corporation's retained earnings to $2.2 billion at March 31, 2010 and improved the debt:equity ratio to 73:27. This level of retained earnings and substantially improved debt:equity ratio places Manitoba Hydro in the strongest financial position of its history. The strong financial position bodes well for the upcoming "decade of investment" in which Manitoba Hydro plans to invest approximately $15 billion in new generation and transmission facilities over the next 10 years. Such investments are neccesary to meet increased demand in domestic and export markets for reliable, low cost and environmentally sustainable energy.

During the past year, the Manitoba Hydro-Electric Board undertook a comprehensive review of the risks facing the Corporation. KPMG was engaged to assist the Board in its review and in a report dated April 15, 2010, KPMG concluded that, "Overall, in the context of its hydroelectric power operations, Manitoba Hydro is following sound practices in the use of forecasting models, long-term power sales contracting, risk governance, and power risk management."

CONSOLIDATED RESULTS

The following schedule summarizes Manitoba Hydro's consolidated financial results for the fiscal year ended March 31, 2010 compared to the previous fiscal year:

	Electricity		Natural Gas		Consolidated		
	2010	2009	2010	2009	2010	2009	Change
	millions of dollars						
Revenues							
Manitoba (net of cost of gas sold)	1 172	1 161	138	149	1 310	1 310	-
Extraprovincial	427	623	-	-	427	623	(196)
	1 599	1 784	138	149	1 737	1 933	(196)
Expenses	1 435	1 527	139	140	1 574	1 667	(93)
Net income	164	257	(1)	9	163	266	(103)
Total assets	11 856	10 940	581	607	12 437	11 547	890
Total retained earnings	2 206	2 042	33	34	2 239	2 076	163
Financial Ratios							
Debt:Equity					73:27	77:23	
Interest coverage					1.32	1.49	
Capital coverage					1.30	1.77	

Revenues from consolidated electricity and natural gas operations totaled $2 053 million in 2009-10 compared to $2 364 million in the previous fiscal year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up to customers by Manitoba Hydro, revenues amounted to $1 737 million compared to $1 933 million in the prior year. The $196 million or 10.1% decrease in revenues reflects lower prices in the export market resulting from the economic downturn and lower prices for competing energy sources.

Expenses for electricity and natural gas operations decreased from $1 667 million in 2008-09 to $1 574 million in 2009-10. The decrease of $93 million or 5.6% was largely due to $72 million lower fuel and power purchased costs and $61 million lower finance expenses. This decrease was partially offset by a $16 million increase in depreciation and amortization costs, a $14 million increase in operating and administrative costs and a $12 million increase in capital and other taxes.

Net income from electricity and natural gas operations amounted to $163 million in 2009-10 compared to $266 million in the previous year. The consolidated net income increased retained earnings from $2 076 million at March 31, 2009 to $2 239 million at March 31, 2010, improving the debt:equity ratio to 73:27 at fiscal year-end.

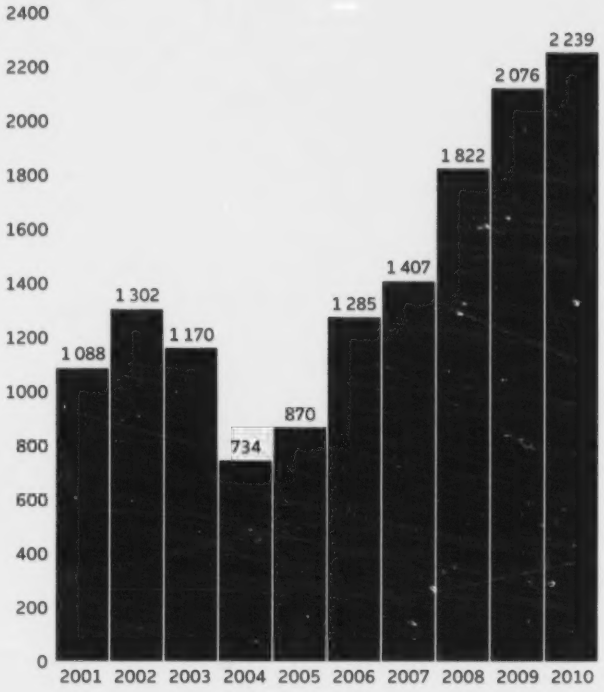
Financing

Cash provided from operations in 2009-10 was $551 million, a decrease of $137 million from the previous year. The decrease reflected lower extraprovincial sales compared to the previous year.

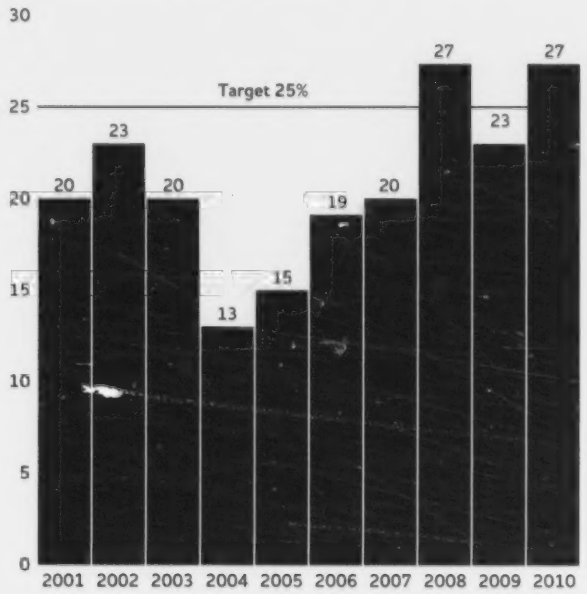
Proceeds from financing arranged by the Corporation amounted to $1 425 million in 2009-10 compared to $423 million in the previous year. Current year proceeds were used to fund new capital requirements during the year and to partially pre-finance 2010-11 cash requirements. Pre-financing was arranged to take advantage of exceptionally low interest rates.

During 2009-10, the Corporation retired $452 million of debt comprised of Provincial Advances of $404 million, HydroBonds of $33 million and Manitoba Hydro-Electric Board Bonds of $15 million.

RETAINED EARNINGS
For the year ended March 31
millions of dollars



EQUITY RATIO
For the year ended March 31
Percentage of equity to total debt plus equity

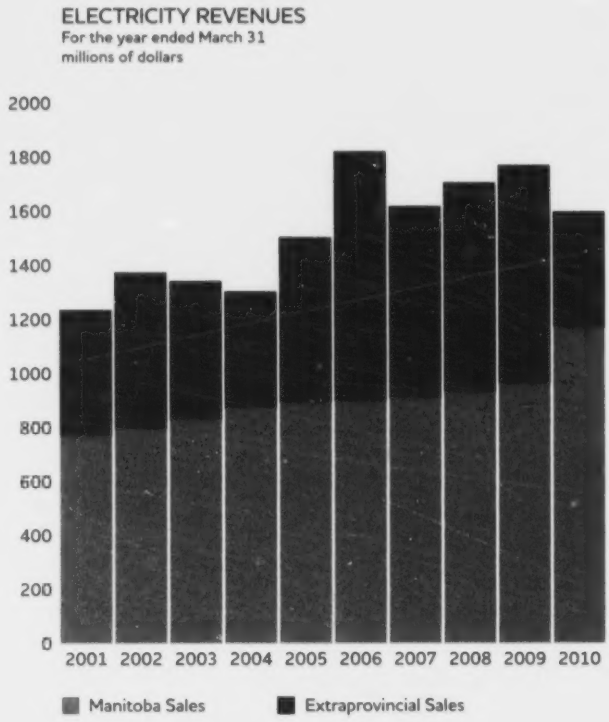


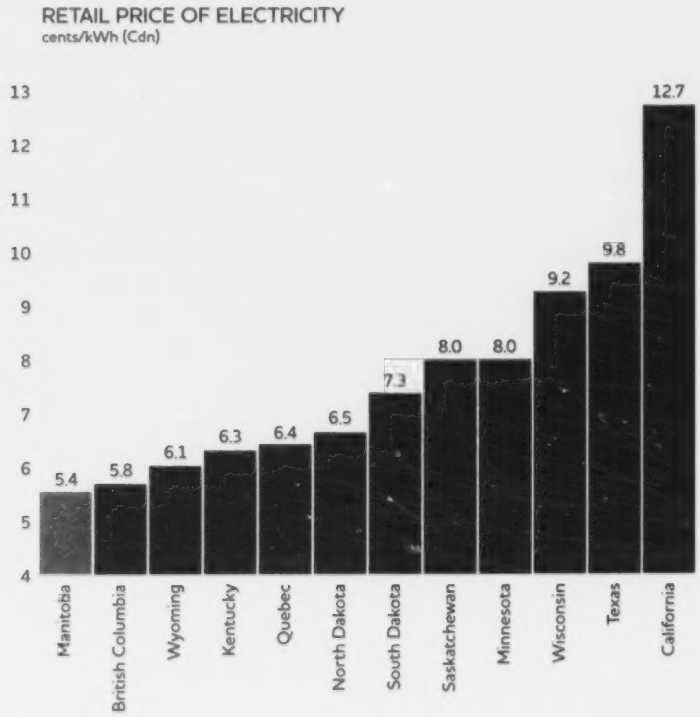
ELECTRICITY OPERATIONS

Electricity Revenues

Total revenues from electricity sales amounted to $1 599 million, a decrease of 10.4% or $185 million from the previous year. The decrease was a result of a $196 million decrease in extraprovincial sales partially offset by an $11 million increase in domestic sales. The decrease in revenues from extraprovincial sales was primarily due to lower prices in the export market resulting from poor economic conditions and lower prices for competing energy sources. The increase in domestic sales is the result of a 2.9% rate increase implemented on April 1, 2009, partially offset by lower industrial usage due to unfavourable economic conditions.

Manitoba Hydro's electricity rates continue to be the lowest in North America. This is illustrated in the accompanying chart which is based on data excerpted from utilities' annual reports and United States Department of Energy publications.





The breakdown of electricity revenues by customer segment is as follows:

Electricity Revenues
For the year ended March 31

	2010	2009	% change	2010	2009	% change
	millions of dollars			*millions of kWh*		
Manitoba						
Residential	477	463	3.0	6 899	6 954	(0.8)
General service	406	394	3.0	6 573	6 640	(1.0)
Industrial	263	270	(2.6)	7 014	7 616	(7.9)
Other revenue	26	34	-	-	-	-
	1 172	1 161	0.9	20 486	21 210	(3.4)
Extraprovincial	427	623	(31.5)	10 860	10 122	7.3
	1 599	1 784	(10.4)	31 346	31 332	-

Revenues from electricity sales in Manitoba rose to $1 172 million from $1 161 million, an increase of $11 million or 0.9% from the previous year. Electricity consumption in Manitoba was 20 486 million kilowatt hours, 724 million kilowatt hours less than the 21 210 million kilowatt hours consumed in the 2008-09 fiscal year. The decrease in consumption was mainly due to poor economic conditions and to the mild winter weather during 2009-10.

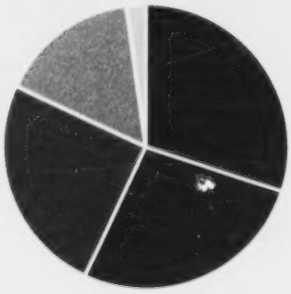
Revenue from sales to residential customers for 2009-10 increased by $14 million or 3.0% to $477 million. The increase was primarily due to a 2.9% rate increase effective April 1, 2009, and to an increase in the number of residential customers during the year. At March 31, 2010 the number of residential customers was 465 055, an increase of 4 251 or 0.9% compared to the previous year.

Revenue from general service customers amounted to $406 million in 2009-10, an increase of $12 million or 3.0% compared to the previous year. The increase was mainly attributable to the April 1, 2009 rate increase.

Revenue from large industrial customers decreased by 2.6% or $7 million to $263 million in 2009-10. The decrease was mainly the result of unfavourable economic conditions.

Extraprovincial revenues of $427 million were $196 million lower than in 2008-09. The decrease reflects lower export prices in U.S. and Canadian markets. Higher export volumes of 738 million kilowatt hours were more than offset by lower unit sale prices. Of the total extraprovincial revenues, $361 million or 85% was derived from the U.S. market, while $66 million or 15% was from sales to Canadian markets.

ELECTRICITY REVENUE
For the year ended March 31, 2010



Residential	30%
Extraprovincial	27%
General service	25%
Industrial	16%
Other	2%

Electricity Expenses

Total expenses for electricity operations amounted to $1 435 million for 2009-10, a decrease of $92 million or 6.0% from the previous year. The decrease in expenses was largely due to decreased fuel and power purchases of $72 million and decreased finance expense of $60 million. This was partially offset by increased depreciation and amortization expenses of $17 million, increased operating and administration expenses of $13 million and increased capital and other taxes of $12 million.

Electricity Expenses
For the year ended March 31

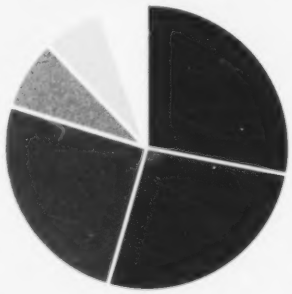
	2010	2009	% change
	millions of dollars		
Operating and administrative	395	382	3.4
Finance expense	373	433	(13.9)
Depreciation and amortization	358	341	5.0
Water rentals and assessments	121	123	(1.6)
Fuel and power purchased	104	176	(40.9)
Capital and other taxes	76	64	18.8
Corporate allocation	8	8	-
	1 435	1 527	(6.0)

Operating and administrative expenses are comprised primarily of labour, material and overhead costs associated with operating, maintaining and administering the facilities of the Corporation. In 2009-10, operating and administrative expenses for electric operations amounted to $395 million, an increase of 3.4% or $13 million over 2008-09. The increase was mainly attributable to higher labour and benefit costs as well as to a $4 million increase related to a change in overhead rates.

Finance expense totaled $373 million in 2009-10, a decrease of $60 million or 13.9% from the prior year. The decrease was primarily due to the foreign exchange gains associated with the stronger Canadian dollar and to an accounting change related to dual currency bonds. The accounting change was adopted in order to provide more relevant information with respect to foreign currency exchange rate changes.

Depreciation expense amounted to $358 million in 2009-10, an increase of $17 million or 5.0% over the previous year. The increase was mainly attributable to new additions to plant and equipment during the year.

ELECTRICITY EXPENSES
For the year ended March 31, 2010



Operating and administrative	28%
Finance expense	26%
Depreciation and amortization	25%
Water rentals and assessments	8%
Fuel and power purchased	7%
Capital and other taxes	5%

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Corporation's hydroelectric generating stations. The $2 million decrease in water rentals to $121 million in 2009-10 reflects a decrease in hydraulic generation from the prior year. Hydraulic generation amounted to 33.8 billion kilowatt hours in 2009-10 compared to 34.2 billion kilowatt hours in 2008-09.

Fuel and power purchased costs for 2009-10 amounted to $104 million, a decrease of $72 million or 40.9% compared to the previous year. The decrease was primarily the result of lower purchases for resale into export markets.

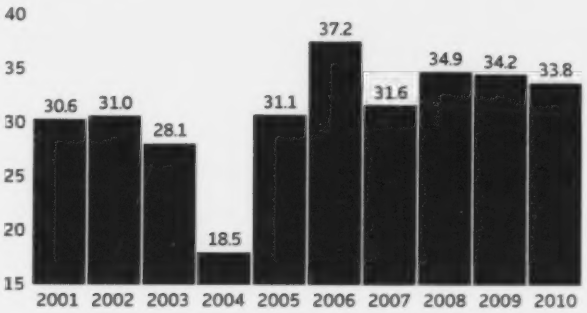
Capital and other taxes amounted to $76 million in 2009-10, an increase of $12 million or 18.8% compared to the previous year. This was mainly attributable to increased capital taxes related to additional capital investment, and grants-in-lieu of tax paid with respect to the new downtown building and support for the town of Gillam.

Electricity Capital Expenditures

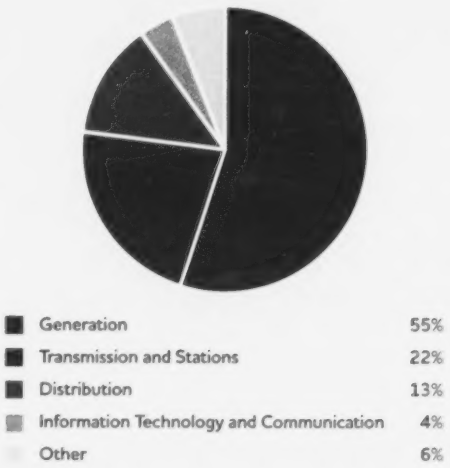
Expenditures for capital construction totaled $1 038 million in 2009-10 compared to $888 million during the previous fiscal year. Capital expenditures for ongoing plant and equipment requirements, referred to as base capital, amounted to $415 million, a decrease of $14 million compared to the previous year.

Generation capital expenditures of $571 million included $310 million related to the Wuskwatim Generating Station and $92 million related to future Conawapa and Keeyask generation facilities. Also included in generation capital expenditures was $46 million for hydraulic generation system upgrades for Kelsey Generating Station and $123 million for various generation capital projects.

HYDRAULIC GENERATION
For the year ended March 31
billions of kWh

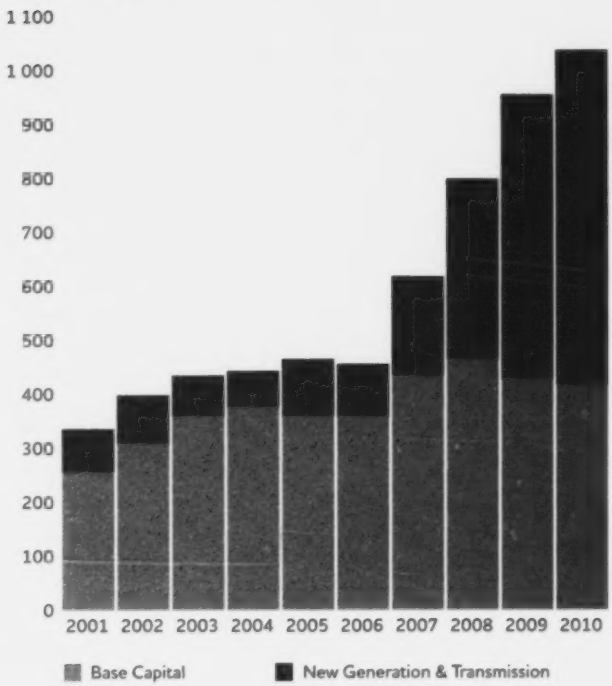


ELECTRICITY CAPITAL EXPENDITURES
For the year ended March 31, 2010



New transmission line and transmission upgrade projects amounted to $150 million, including $58 million for the Wuskwatim transmission line. Substation additions and upgrades totaled $79 million. Distribution system additions and modifications to meet the service requirements of customers were $139 million. New information technology and communication project expenditures totaled $42 million. Expenditures for Manitoba Hydro's new downtown head office amounted to $20 million during the year. The remaining capital expenditures of $37 million were for replacement of fleet vehicles and upgrades to Corporate buildings.

ELECTRICITY CAPITAL EXPENDITURES
For the year ended March 31
millions of dollars



NATURAL GAS OPERATIONS

Centra Gas is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to 239 534 residential and 24 767 commercial and industrial customers in Manitoba.

A net loss of $1 million was incurred in the natural gas sector in 2009-10 compared to net income of $9 million in the previous year. The net loss in 2009-10 was primarily attributable to decreased demand due to milder than normal winter weather.

Revenues from the sale and distribution of natural gas during 2009-10 were $454 million, a decrease of $126 million from the previous year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up by Centra, net revenues amounted to $138 million, a decrease of $11 million from 2008-09. The decrease in net revenue is a reflection of milder winter weather in 2009-10 than in the previous year. Natural gas deliveries were 2 003 million cubic metres in 2009-10 compared to 2 165 million cubic metres in 2008-09.

As directed by the Public Utilities Board, $3.8 million of revenue from 2009-10 was set aside to continue a program targeted to low-income customers and qualifying seniors on fixed incomes to assist in the replacement of low efficiency furnaces with high efficiency furnaces.

Natural Gas Revenues
For the year ended March 31

	2010	2009	% change
	millions of dollars		
Residential	254	320	(20.6)
Large general service	138	185	(25.4)
Large commercial & industrial	29	38	(23.7)
Interruptible	26	30	(13.3)
T-service and other	7	7	-
	454	580	(21.7)

Natural Gas Deliveries
For the year ended March 31

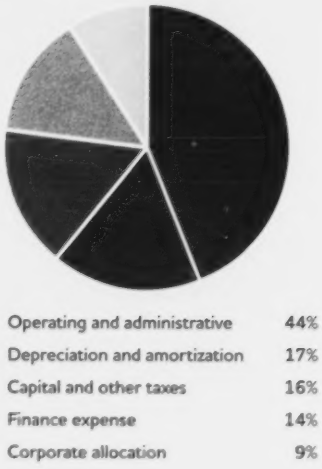
	2010	2009	% change
	millions of cubic metres		
Residential	669	760	(12.0)
Large general service	486	547	(11.2)
Large commercial & industrial	128	151	(15.2)
Interruptible	101	104	(2.9)
T-service and other	619	603	2.7
	2 003	2 165	(7.5)

In accordance with Centra's quarterly rate-setting methodology, annualized rates for natural gas supplied to residential customers changed during 2009-10 as follows:

- May 1, 2009	7.5% decrease
- August 1, 2009	2.5% increase
- November 1, 2009	6.3% decrease
- February 1, 2010	1.6% decrease

Expenses attributable to the natural gas operations, excluding cost of gas sold, amounted to $139 million in 2009-10, which was in line with the previous year. Decreases of $1 million in finance expense and $1 million in depreciation and amortization were partially offset by increases in operating and administrative costs of $1 million.

NATURAL GAS EXPENSES
For the year ended March 31, 2010



Natural Gas Expenses
For the year ended March 31

	2010	2009	% change
	millions of dollars		
Operating and administrative	61	60	1.7
Finance expense	19	20	(5.0)
Depreciation and amortization	24	25	(4.0)
Capital and other taxes	23	23	-
Corporate allocation	12	12	-
	139	140	(0.7)

Centra purchased 876 million cubic metres of natural gas based on monthly Alberta indexed pricing and 294 million cubic metres under daily Alberta indexed pricing. Centra also delivered natural gas on behalf of brokers to 36 447 (2009 - 42 538) customers receiving natural gas under Direct Purchase arrangements.

Centra introduced a fixed rate service for primary natural gas supply during the year which allows customers to fix their natural gas rates for terms of up to five years. The fixed rate service is offered to residential and commercial customers. At March 31, 2010 there were 351 customers on Centra's fixed rate service. Total natural gas deliveries under this service were 1.6 million cubic metres in fiscal 2010.

Natural Gas Capital Expenditures

Capital expenditures in the natural gas sector were $25 million in 2009-10 compared to $32 million in the previous fiscal year. The capital expenditure program relates to new business, system improvement and other expenditures to meet the needs of natural gas customers.

SUBSIDIARIES

In addition to Centra Gas, Manitoba Hydro has a number of wholly-owned subsidiaries involved in energy-related business enterprises. The most significant operating subsidiaries are:

Manitoba Hydro International Ltd. (MHI) provides professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro, Centra Gas and other utilities.

The following table provides a summary of the financial results of the subsidiary companies excluding Centra Gas for the fiscal year ended March 31, 2010 compared to the previous fiscal year:

	MHI		MHUS		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	millions of dollars							
Revenues	24.1	19.9	5.8	5.8	0.8	0.8	30.7	26.5
Expenses	20.8	17.2	5.6	5.6	0.2	0.2	26.6	23.0
Net income	3.3	2.7	0.2	0.2	0.6	0.6	4.1	3.5

WUSKWATIM POWER LIMITED PARTNERSHIP

The **Wuskwatim Power Limited Partnership (WPLP)** was formed to carry on the business of developing, owning and operating the Wuskwatim Generating Station and related works, excluding the transmission facilities but including all dams, dikes, channels, excavations and roads. The WPLP has two limited partners, Manitoba Hydro and Taskinigahp Power Corporation (TPC) which is owned beneficially by Nisichawayasihk Cree Nation (NCN) and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro. The Wuskwatim Generating Station is located at Taskinigahp Falls on the Burntwood River about 45 kilometres southwest of Thompson, Manitoba. The majority of civil works for the Wuskwatim Generating Station are scheduled to be completed and the first generating unit is scheduled to be placed in service by late 2011. The total cost of the project, including transmission facilities is projected to be $1.6 billion. At March 31, 2010 total expenditures for Wuskwatim generation and transmission facilities amounted to $1.1 billion (2009 – $694 million).

CORPORATE GOALS

Manitoba Hydro has established the following Corporate goals:

Improve safety in the work environment
Achieving an accident-free workplace is Manitoba Hydro's most important goal and a critical component of all Corporate activities. Manitoba Hydro is committed to continuously improving its safety performance and is currently focusing on strategies that will further imbed a safety and health culture throughout the Corporation.

Provide customers with exceptional value
Manitoba Hydro continually strives to provide exceptional value to customers through low energy rates, a safe and secure system, high reliability and superior service.

Strengthen working relationships with Aboriginal peoples
Manitoba Hydro is one of the leading utilities in Canada with respect to Aboriginal representation in its workforce. The Corporation continues to place emphasis on building enduring working relationships with Aboriginal peoples through such measures as pre-employment training programs, purchasing and employment preferences, support for Aboriginal businesses and recognition of cultural requirements in the workplace.

Maintain a strong financial structure
Maintaining the financial strength of the Corporation will ensure that energy rates remain low, stable and predictable. A strong financial structure will also assist in protecting the Corporation and its customers from a variety of risks.

Extend and protect access to North American energy markets and profitable export sales
The ability to sell surplus energy into export markets has contributed significantly to low domestic rates in Manitoba. It is important that access to profitable export markets be maintained and expanded.

Attract, develop and retain a highly motivated workforce that reflects the demographics of Manitoba
In the increasingly competitive marketplace for talented people, Manitoba Hydro must continue to attract and retain the very best in human resources while striving to maintain its diversity targets.

Protect the environment in everything that we do
Through careful management of new and existing facilities and infrastructure, Manitoba Hydro continues to operate in an environmentally responsible manner. Manitoba Hydro is dedicated to upholding the principles of sustainable development and to protecting the environment from any adverse impacts of our operations.

Promote cost effective energy sustainability, conservation and innovation
Manitoba Hydro is recognized as a Canadian leader in promoting the wise and efficient use of energy through its Power Smart brand and continues to encourage research and development of emerging energy technologies.

Be recognized as an outstanding corporate citizen and a supporter of economic development in Manitoba
Manitoba Hydro and its employees continue to take leadership roles in community activities and programs throughout the province. The Corporation also works with economic development agencies to maximize wealth and jobs in Manitoba and works with customers to minimize their energy costs.

REPORT ON PERFORMANCE

The following table summarizes the progress the Corporation is making towards achieving its Corporate goals:

	Measure	Target	2010 Performance
Safety in the Work Environment	High-risk accidents	0	0
	Accident severity rate (days per 200 000 hours worked)	<16	23.5
	Accident frequency rate (accidents per 200 000 hours worked)	<0.8	1.3
Exceptional Value for Customers	Electricity rates	Lowest in North America	Lowest in North America
	Average electric customer outage time (minutes per year)	≤92	112.9
	Average electric customer outage frequency (outages per year)	≤1.3	1.4
	CEA Customer Service Index	Best in Canada	Best in Canada
Relationships with Aboriginal Peoples	% Aboriginal employment Corporate	16%	15%
	% Aboriginal employment Northern	45%	40%
Financial Strength	Interest Coverage	>1.20	1.32
	Capital Coverage	>1.20	1.30
	Debt: Equity	75:25	73:27
Diverse Work Force	Women	26%	24%
	Persons with disabilities	6%	5%
	Visible minorities	6%	5%
Protecting the Environment	% Generation from Renewable Resources	>99%	99.9%
	Environmental component of CEA Customer Service Index	≥8.5	8.0
Sustainability & Energy Conservation	Electric energy saved per year	1 753 GWh (by 2009-10)	1 682 GWh
Corporate Citizenship & Economic Development	CEA Public Attitude Index	≥8.5	8.1
	Corporate Citizenship Index	≥8.2	7.6

RISK MANAGEMENT

Manitoba Hydro faces a number of risks in the fulfillment of its mandate. These risks are managed through a systematic, proactive and integrated process designed to balance the following objectives:

- identify threats that affect the achievement of the Corporation's mission and mandate;
- mitigate the consequences of negative occurrences; and
- maximize opportunities to provide benefits to all stakeholders.

All major risks are effectively controlled through risk management activities that include risk identification and assessment, risk monitoring, the establishment of risk tolerances and risk mitigation. Because the human and financial consequences of a prolonged disruption in energy supply could be severe, Manitoba Hydro has a relatively low tolerance for risk.

All identified risks are assessed for potential impact using safety, reliability, financial, environmental or customer service criteria.

Safety and reliability risks are managed through strict adherence to design, construction and operating standards and practices together with extensive public education and employee training programs. A comprehensive Emergency Response Plan is also in place to ensure an effective and coordinated response to possible emergencies or disasters. The Emergency Response Plan is tested annually to ensure that there is appropriate communication and coordination with other public authorities and emergency measures organizations.

The financial and operational risks associated with the management of an integrated electricity and natural gas utility are significant. These risks include the impacts of weather on supply and demand, price and market uncertainties, interest, inflation and foreign exchange rates, skilled labour availability and costs, aging infrastructure maintenance and replacement, increasing regulatory, environmental and legal requirements, and accelerated technological change. Manitoba Hydro manages these risks through an integrated control framework and through the building, over time, of an adequate level of retained earnings.

Manitoba Hydro's major financial and operational risks are quantified in the following table:

Risk	Potential impact
Infrastructure	Greater than $2.0 billion for a major facility long term outage
Drought	Approximately $2.4 billion reduction in net export revenue for a 5 year drought
Loss of export market	Up to 30% of electricity revenues
Interest rates	Approximately $250 million for a 1% change over a 10 year period
Foreign exchange rates	Approximately $280 million for a $.10 U.S. change over a 10 year period

To provide added assurance that Manitoba Hydro's major risks are being appropriately managed, the Manitoba Hydro-Electric Board engaged KPMG to conduct a comprehensive risk review. In its report dated April 15, 2010 KPMG concluded that "Overall, in the context of its hydroelectric operations, Manitoba Hydro is following sound practices in its use of forecasting models, long-term power sales contracting, risk governance and power risk management."

Ernst & Young, Manitoba Hydro's external auditors, reviewed the KPMG report in the context of their audit of Manitoba Hydro's consolidated financial statements and no risk issues were identified that would have an impact on Manitoba Hydro's 2009-10 financial statements.

ACCOUNTING CHANGES

Adjustments for the adoption of new accounting policies resulted in a $12 million reduction to prior years retained earnings which was comprised of a $37 million reduction related to goodwill and intangible assets partially offset by a $25 million increase related to dual currency bonds.

Goodwill and Intangible Assets
Effective April 1, 2009, the Corporation adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adopting this Standard resulted in $145 million being reclassified from Property, Plant & Equipment to Goodwill and Intangible Assets. This Standard was adopted retrospectively. The impact of this change on prior years was a cumulative reduction to retained earnings of $37 million. This reduction relates to the write-off of research-related expenditures with respect to planning studies and computer development as well as general advertising and promotion costs related to the Corporation's Power Smart programs. The net income impact for the current year and the comparative year was not material.

Dual Currency Bonds
Effective April 1, 2009, the Corporation adopted a change in accounting for dual currency bonds, which have principal amounts repayable in Canadian currency and interest payments denominated in U.S. currency. The bonds were previously reported on the balance sheet at the Canadian principal amount repayable at maturity with foreign exchange gains and losses on U.S. interest payments recognized when the interest payments were accrued or paid. Beginning in fiscal 2010 the Corporation commenced accounting for these bonds by present valuing all future principal and interest payments discounted at the effective rate implicit in the borrowing. The present value of the interest payments is translated into Canadian currency at the exchange rate prevailing at the balance sheet date with any exchange gains and losses immediately recognized in net income. This change was adopted in order to provide more relevant information with respect to foreign currency exchange rate changes. The change was adopted retrospectively. The impact of this change on prior years was a cumulative increase to retained earnings of $25 million. The impact for the current year was an increase to net income of $31 million and for the comparative year was a reduction to net income of $32 million.

Regulated Activities
For year ends beginning on or after January 1, 2009, the temporary exemption provided in CICA Section 1100, Generally Accepted Accounting Principles (GAAP), which allows the recognition and measurement of regulatory assets and liabilities, was withdrawn. Pursuant to a practice allowed by Canadian GAAP, the Corporation will rely on Accounting Standards Codification 980, "Regulated Operations", issued by the U.S. Financial Accounting Standards Board, to maintain the current accounting treatment for regulated assets and liabilities. The withdrawal of the exemption therefore had no impact on the consolidated financial statements.

Financial Instrument Disclosures
Effective April 1, 2009, the Corporation adopted CICA Section 3862, Financial Instrument Disclosure. This amended Section improves financial instrument fair value measurement and liquidity risk management disclosures. The amendments require an entity to classify fair value measurements using a fair value hierarchy in levels ranging from 1 to 3 that reflect the significance of the inputs used in making these measurements.

Consolidated Financial Statements and Non-Controlling Interest
In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, which superceded Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 established standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections will apply to annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of these new standards on Manitoba Hydro's financial statements is currently being assessed but is not expected to be significant.

STATUS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that public sector enterprises such as Manitoba Hydro will be required to follow IFRS for periods beginning January 1, 2011. Manitoba Hydro will be required to prepare financial statements in accordance with IFRS effective for its 2011-12 fiscal year with comparitive information presented for the 2010-11 fiscal year.

The Corporation expects the transition to IFRS to impact accounting, financial reporting and related information systems. To facilitate the conversion process, Manitoba Hydro has assembled a project team, engaged external advisors and established a formal project governance structure with the formation of a Steering Committee consisting of an executive sponsor and senior levels of management from throughout the Corporation. Regular reporting of the project status is provided to the Audit Committee of the Manitoba Hydro-Electric Board.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Manitoba Hydro include property, plant & equipment, regulatory assets and liabilities, employee benefits, and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

IFRS does not currently provide guidance on the accounting for the effects of rate regulation. In July 2009, the International Accounting Standards Board (IASB) issued an Exposure Draft (ED) on Rate-Regulated Activities that details its proposal for the continued recognition of assets and liabilities arising from certain rate-regulated activities. As the ED is currently written, regulated assets and liabilities arising from activities subject to cost-of-service regulation would be recognized under IFRS when certain conditions are met. Due to the nature of the responses to the ED and the concern that diversity may arise in practice, no decision as to the future direction of the ED was reached. It is unclear at this time what the outcome of the IASB's deliberations will be and how they will impact entities reporting under IFRS. Consequently, the impact on the financial position and results of the operations for Manitoba Hydro has not been fully determined at this time.

OUTLOOK

Manitoba Hydro ended fiscal 2009-10 with above average water storage levels. With normal precipitation over the coming months, hydraulic generation should exceed the historical average and financial results should continue to be strong. A significant uncertainty, however, is the timing and strength of the economic recovery in domestic and export markets. Based on current conditions, Manitoba Hydro is projecting that its net income will exceed $100 million for 2010-11.

Construction continues on the 200-megawatt Wuskwatim Generating Station on the Burntwood River located 45 kilometres southwest of Thompson. This project is a partnership involving Manitoba Hydro and Nisichawayasihk Cree Nation and is the first time in Canada that a First Nation and electric utility have entered into a formal partnership arrangement to build a generating station. The majority of civil works for the Wuskwatim Generating Station are scheduled to be complete and the first generating unit is scheduled to be placed in service by late 2011. The cost of the project, including transmission facilities is projected to be $1.6 billion.

Manitoba Hydro is entering a new "decade of investment" in order to meet the future energy needs of the province and to take advantage of export opportunities. Major projects such as the Keeyask and Conawapa generating stations and the Bipole III transmission line will require large capital investments but the returns to Manitobans are projected to be many times greater. Prior to commencement of construction there will be comprehensive consultation and approval processes. Firm export contracts will be secured to ensure a minimum return on investments; environmental licences will be obtained; regulatory approvals will be in place; applicable Aboriginal partnerships will be confirmed; and a public needs and justification review process will be conducted.

A new north-south HVdc transmission line, Bipole III, will improve system reliability and enhance the flow of power from the northern generating stations to the southern Manitoba system. The final round of consultations is expected to be completed in 2010 and the environmental impact statement is scheduled for submission to regulatory authorities in 2011.

During 2009-10, the four First Nations partners: Tataskweyak, War Lake, Fox Lake, and York Factory completed the ratification processes regarding the Joint Keeyask Development Agreement whereby the four First Nations can acquire an equity interest in the Keeyask Generating Station. The First Nations and Manitoba Hydro signed the agreements May 29, 2009. Major progress was made on the joint environmental evaluations and on the engineering, licensing and agreements to develop the Keeyask Infrastructure Project and on the planning for the Keeyask Generation Project.

Construction on a 138-megawatt wind farm near St. Joseph, owned by Pattern Energy and operated by St. Joseph Wind Farm Inc., began in 2010. Manitoba Hydro will purchase the output of the wind farm in accordance with the power purchase agreement signed in March 2010. This project is one of the largest to be built in Canada this year, and will generate enough power to serve the needs of 50 000 homes. Pattern Energy will invest $95 million and Manitoba Hydro will lend the project up to $260 million to be repaid with interest over 20 years. The project is expected to be completed in early 2011.

Pursuant to the Term Sheets Manitoba Hydro signed in 2007 and 2008 with Minnesota Power (MP) and Wisconsin Public Service (WPS), the parties continue to negotiate the definitive agreements and study the new major transmission facilities between Manitoba and the U.S. This new major transmission line would add to the capability and reliability of the regional power system, and provide an outlet for additional energy with the construction of new hydroelectric generation in northern Manitoba. Total revenue over the 10-year term of the agreements is projected to be approximately $3.4 billion.

Continued on next page >

OUTLOOK

In April 2010 Manitoba Hydro and Xcel Energy reached agreement on new power purchase and seasonal exchange agreements that will commence in 2015 following the expiry of existing power agreements between the utilities. The new agreements extend to 2025 and provide for the sale by Manitoba Hydro of a minimum of 375 megawatts and up to 725 megawatts each summer season and 325 megawatts each winter season with associated dependable on-peak energy and any additional surplus energy which may be available from time to time. Manitoba Hydro will also have access to purchase up to 350 megawatts each winter season if required. Subject to the construction of Conawapa Generating Station, Xcel has agreed to purchase an additional 125 megawatts per year commencing in 2021.

Manitoba Hydro's Power Smart initiative continues to grow with forty programs and initiatives offered to residential, commercial and industrial customers in 2009-10. This highly successful initiative continues to encourage all customer sectors to use energy more efficiently. These efforts work toward making permanent shifts in the Manitoba marketplace for long-term adoption of energy efficiency technologies and practices. The Power Smart initiative is projected to achieve electric energy and demand savings of 3 271 GWh/ year and 915 MW and natural gas savings of 172 million cubic metres by 2024-25. The overall Power Smart initiative is expected to reduce greenhouse gas emissions by over 2.5 million tonnes annually while providing Manitobans with lower energy bills from the installation of energy savings measures and the continued sale of the conserved hydraulic energy on the export market.

MANAGEMENT REPORT

MANAGEMENT REPORT
For the year ended March 31, 2010

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 8, 2010. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

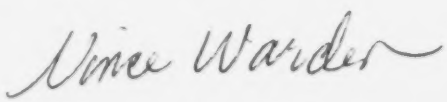
Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

R. B. Brennan, FCA
President and Chief Executive Officer



V. A. Warden, CMA, FCMA
Senior Vice-President,
Finance & Administration and Chief Financial Officer

Winnipeg, Canada
June 8, 2010

AUDITORS' REPORT

To the Board of Directors of
Manitoba Hydro-Electric Board

We have audited the consolidated balance sheet of Manitoba Hydro-Electric Board as at March 31, 2010 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 4, 2010.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
For the year ended March 31

		Notes	2010	2009
			millions of dollars	
Revenues				
Electric	Manitoba		1 172	1 161
	Extraprovincial	3	427	623
Gas	Commodity		316	431
	Distribution		138	149
			2 053	2 364
Cost of gas sold			316	431
			1 737	1 933
Expenses				
Operating and administrative			456	442
Finance expense		4	410	471
Depreciation and amortization			384	368
Water rentals and assessments		5	121	123
Fuel and power purc sed			104	176
Capital and other taxe			99	87
			1 574	1 667
Net Income			163	266

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the year ended March 31

	Notes	2010	2009
		millions of dollars	
Retained earnings, beginning of year		2 076	1 822
Adjustments for the adcption of new accounting policies	2	-	(12)
Net income		163	266
Retained earnings, end of year		2 239	2 076

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at March 31

	Notes	2010	2009
			millions of dollars
Assets			
Property, Plant and Equipment			
In service	6	12 688	12 300
Less accumulated depreciation	6	4 612	4 356
		8 076	7 944
Construction in progress	6	2 052	1 438
		10 128	9 382
Current Assets			
Cash and cash equivalents		174	159
Accounts receivable and accrued revenue		365	434
Interest receivable		6	6
Materials and supplies, at average cost	7	98	82
		643	681
Other Assets			
Sinking fund investments	8	822	666
Goodwill and intangible assets	9	253	248
Regulated assets	10	299	287
Other deferred assets	11	292	283
		1 666	1 484
		12 437	11 547

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chair of the Board

William Fraser, FCA
Chair of the Audit Committee

	Notes	2010	2009
			millions of dollars
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		7 406	7 002
Sinking fund investments shown as assets	8	822	666
	12	8 228	7 668
Current Liabilities			
Accounts payable and accrued liabilities	13	326	331
Notes payable	14	-	100
Accrued interest		91	99
Current portion of long-term debt	12	310	519
		727	1 049
Other Liabilities			
Asset purchase obligation	15	215	218
Other deferred liabilities	16	448	409
		663	627
Contributions in Aid of Construction		295	296
Equity			
Retained earnings		2 239	2 076
Accumulated other comprehensive income (loss)		285	(169)
		2 524	1 907
		12 437	11 547

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31

	2010	2009
		millions of dollars
Operating Activities		
Cash receipts from customers	2 077	2 422
Cash paid to suppliers and employees	(1 085)	(1 245)
Interest paid	(477)	(524)
Interest received	36	35
Cash provided by operating activities	551	688
Financing Activities		
Proceeds from long-term debt	1 425	423
Sinking fund withdrawals	263	261
Retirement of long-term debt	(452)	(366)
Notes payable	(100)	100
Other	15	6
Cash provided by financing activities	1 151	424
Investing Activities		
Property, plant and equipment, net of contributions	(1 063)	(915)
Sinking fund payments and deposits	(537)	(124)
Other	(87)	(47)
Cash used for investing activities	(1 687)	(1 086)
Net increase in cash and cash equivalents	15	26
Cash and cash equivalents, beginning of year	159	133
Cash and cash equivalents, end of year	174	159

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2010	2009
		millions of dollars
Net income	163	266
Other comprehensive income		
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	448	(439)
Realized foreign exchange losses (gains) on debt in cash flow hedges reclassified to income	6	(11)
Unrealized fair value gains (losses) on available-for-sale U.S. sinking fund investments	-	(24)
	454	(474)
Comprehensive income (loss)	617	(208)

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	2010	2009
		millions of dollars
Balance, beginning of year	(169)	305
Other comprehensive income (loss)	454	(474)
Balance, end of year	285	(169)

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The consolidated financial statements include the financial statements of the Manitoba Hydro-Electric Board (Manitoba Hydro or the Corporation) and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. Accordingly, Manitoba Hydro applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or regulated liabilities which are generally comprised of the following:

- Power Smart programs - The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Site restoration costs - Site restoration costs, other than those for which an Asset Retirement Obligation (ARO) has been established, are deferred and amortized on a straight-line basis over 15 years.

- Deferred taxes - Taxes paid by Centra Gas (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Acquisition costs - Costs associated with the acquisition of Centra Gas (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Purchased gas variance accounts (PGVA) - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable, and recovered or refunded in future rates.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases, and depreciation and finance expense charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 65 years
Transmission	- Lines	40 - 85 years
	- Stations	20 - 57 years
Distribution		15 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**
Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Materials and Supplies**
Materials and supplies are valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) Employee Future Benefits

Manitoba Hydro provides employee future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, three Centra Gas curtailed pension plans, and the Winnipeg Civic Employee Benefits Program (WCEBP).

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses, and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is calculated based on market related values using a five-year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as assets or liabilities.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

i) Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

j) Financial Instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

k) **Foreign Currency Translation**

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) **Derivatives**

The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

m) **Hedges**

The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

n) **Debt Discounts and Premiums**

Debt discounts and premiums are amortized to finance expense using the effective interest method.

o) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

p) Goodwill and Intangible Assets

Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

Intangible assets include computer software and development costs, and land easements. Intangible assets are recorded at cost. The cost of computer software and development includes software, direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer software and development	5 - 15 years
Land easements	75 years

q) Use of Estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Adjustments for the adoption of new accounting policies resulted in a $12 million reduction to the prior years retained earnings, which was comprised of a $37 million reduction related to goodwill and intangible assets partially offset by a $25 million increase related to dual currency bonds.

Goodwill and Intangible Assets

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Dual Currency Bonds

Commencing in the 2010 fiscal year, the Corporation adopted a change in accounting for dual currency bonds which have principal amounts repayable in Canadian currency and interest payments denominated in U.S. currency. These bonds were previously reported on the balance sheet at the Canadian principal amount repayable at maturity with foreign exchange gains and losses on U.S. interest payments recognized when the interest payments were accrued or paid. Beginning in fiscal 2010 the Corporation commenced accounting for these bonds by present valuing all future principal and interest payments discounted at the effective rates implicit in the borrowing. The present value of the interest payments is translated into Canadian currency at the exchange rate prevailing at the balance sheet date with any exchange gains and losses immediately recognized in net income. This change was adopted in order to provide more relevant information with respect to foreign currecy exchange rate changes. The change was adopted retrospectively. The impact of this change on prior years was a cumulative increase to retained earnings of $25 million. The impact for the current year was an increase to net income of $31 million and for the comparative year was a reduction to net income of $32 million.

Regulated Activities
For year ends beginning on or after January 1, 2009, the temporary exemption provided in CICA Section 1100, Generally Accepted Accounting Principles (GAAP), which allows the recognition and measurement of regulated assets and liabilities, was withdrawn. Pursuant to a practice allowed by Canadian GAAP, the Corporation will rely on Accounting Standards Codification 980, "Regulated Operations," issued by the U.S. Financial Accounting Standards Board, to maintain the current accounting treatment for regulated assets and liabilities. The withdrawal of the exemption therefore had no impact on the consolidated financial statements.

Financial Instruments Disclosures
Effective April 1, 2009, the Corporation adopted CICA Section 3862, Financial Instruments Disclosures. This amended Section improves financial instrument fair value measurement and liquidity risk management disclosures. The amendments require an entity to classify fair value measurements using a fair value hierarchy in levels ranging from 1 to 3 that reflect the significance of the inputs used in making these measurements. These additional disclosures are provided in Note 17.

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that public sector enterprises such as Manitoba Hydro will be required to follow IFRS for periods beginning January 1, 2011. Manitoba Hydro will be required to prepare financial statements in accordance with IFRS effective for its 2011-12 fiscal year with comparative information presented for the 2010-11 fiscal year.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The Corporation has completed an initial assessment of adopting IFRS, and has identified the areas with the highest potential to impact Manitoba Hydro. Those areas include property, plant and equipment, regulated assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

The Corporation continues to assess the impact of conversion to IFRS. The International Accounting Standards Board (IASB) issued an exposure draft on Rate-Regulated Activities in July 2009. Responses to the IASB's request for comments varied substantially. It is unclear at this time what the outcome of the IASB's deliberations will be and how that will impact entities reporting under IFRS. Accordingly, the impact on the financial position and results of the operations for Manitoba Hydro is not reasonably determinable at this time.

Consolidated Financial Statements and Non-Controlling Interests
In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, which superceded Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 established standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections will apply to annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of these new standards on Manitoba Hydro's financial statements is currently being assessed but is not expected to be significant.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2010	2009
	millions of dollars	
United States	361	491
Canada	66	132
	427	623

U.S. extraprovincial revenues were translated at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.09 Canadian (2009 - $1.00 U.S. = $1.10 Canadian).

NOTE 4 FINANCE EXPENSE

	2010	2009
	millions of dollars	
Interest on debt	538	545
Interest capitalized	(68)	(56)
Amortization of premiums and discounts	(11)	(12)
Investment income	(24)	(27)
Realized foreign exchange losses (gains) on debt in cash flow hedges	6	(11)
Realized (gains) losses on revaluation of dual currency bonds	(31)	32
	410	471

Included in interest on debt is $75 million (2009 - $74 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2009 – 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2010	2009
	millions of dollars	
Water rentals	114	115
Assessments	7	8
	121	123

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2009 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	millions of dollars					
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
Generation						
Hydraulic	4 722	1 551	1 531	4 626	1 484	1 084
Thermal	510	259	6	519	262	4
Transmission lines	782	274	203	785	260	145
Substations	2 387	1 094	220	2 308	1 023	121
Distribution	2 998	1 079	50	2 853	1 004	44
Other	1 289	355	42	1 209	323	40
	12 688	4 612	2 052	12 300	4 356	1 438

NOTE 7 MATERIALS AND SUPPLIES

	2010	2009
	millions of dollars	
Materials and supplies	65	67
Natural gas inventory	33	15
	98	82

NOTE 8 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under the Manitoba Hydro Act to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $537 million (2009 - $124 million) including a temporary deposit of $438 million which will be withdrawn in the following fiscal year for refinancing purposes. Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2010	2009
	millions of dollars	
Canadian investments	192	-
U.S. investments	597	643
Premium on purchase of sinking fund investments	33	23
	822	666

Canadian investments have a weighted average term to maturity of one day (2009 - 0 days) and an effective yield to maturity of 0.3% (2009 - 0%). U.S. investments have a weighted average term to maturity of 3.5 years (2009 - 3.1 years) and an effective yield to maturity of 4.9% (2009 – 3.8%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.02 Canadian (2009 - $1.00 U.S. = $1.26 Canadian). The March 31, 2010 balance includes $12 million (2009 - $12 million) of unrealized fair value gains.

NOTE 9 GOODWILL AND INTANGIBLE ASSETS

	2010			2009		
	millions of dollars					
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Intangible Assets						
Computer software and development	183	83	100	179	76	103
Easements	57	12	45	50	13	37
	240	95	145	229	89	140
Goodwill	108	-	108	108	-	108
	348	95	253	337	89	248

The additions to intangible assets for the year totaled $16 million (2009 - $5 million). In total, intangible assets of $16 million (2009 - $18 million) were amortized to operations during the period.

NOTE 10 REGULATED ASSETS

	2010	2009
	millions of dollars	
Power Smart programs - electric	168	159
- gas	32	24
Site restoration costs	37	40
Deferred taxes	35	36
Acquisition costs	23	24
Regulatory costs	4	4
	299	287

If the Corporation were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2010 would have been reduced by $12 million (2009 - $18 million).

In total, regulated assets of $36 million (2009 - $33 million) were amortized to operations during the period.

NOTE 11 OTHER DEFERRED ASSETS

	2010	2009
	millions of dollars	
Accrued benefit asset (Note 19)	120	137
Contract receivables	82	78
Advances to TPC (Note 23)	59	35
Affordable Energy Fund (Note 22)	31	33
	292	283

NOTE 12 LONG-TERM DEBT

During the year, the Corporation arranged long-term financing of $1 425 million (2009 - $423 million). The current year financing was in the form of Provincial Advances with the majority at fixed interest rates.

	2010	2009
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	8 288	7 836
Manitoba HydroBonds	132	165
Manitoba Hydro-Electric Board Bonds	199	216
	8 619	8 217
Less: Current portion of long-term debt	310	519
	8 309	7 698
Adjustment on carrying value of dual currency bonds	(29)	1
Debt discounts and premiums	(27)	(9)
Transaction costs	(25)	(22)
	8 228	7 668

Included in the current portion of long-term debt are $292 million (2009 - $498 million) of debt maturities, and $18 million (2009 - $21 million) of floating-rate Manitoba HydroBonds with maturity dates in 2011 and 2012. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $76 million (2009 - $77 million) issued for mitigation projects.

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2010	2009
	millions of Canadian dollars					
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2011	107	4.6%	203	1.6%	310	342
2012	16	4.7%	-	-	16	16
2013	178	3.1%	-	-	178	78
2014	475	4.7%	598	5.6%	1 073	902
2015	100	3.6%	-	-	100	-
	876	4.2%	801	5.3%	1 677	1 338
2016-2020	1 558	6.4%	559	8.5%	2 117	2 252
2021-2025	303	2.4%	1 066	6.9%	1 369	1 327
2026-2030	610	6.9%	-	-	610	535
2031-2035	639	10.4%	-	-	639	714
2036-2040	1 725	4.9%	-	-	1 725	1 425
2041-2063	482	4.7%	-	-	482	107
	6 193	5.8%	2 426	7.1%	8 619	7 698

Included in the above Canadian maturity amounts are two dual currency bonds with principal amounts repayable in Canadian currency and interest payments denominated in U.S. currency. The first dual currency bond matures in the 2013-14 fiscal year in the amount of $208 million Canadian while the second matures in the 2025-26 fiscal year in the amount of $130 million Canadian.

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.02 Canadian (2009 - $1.00 U.S. = $1.26 Canadian).

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
	millions of dollars	
Accounts payable and accrued liabilities	323	320
Regulated liabilities		
Purchased gas variance accounts	3	11
	326	331

The Corporation passes all costs related to the purchase and transportation of natural gas onto its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $8 million (2009 - increased by $10 million).

NOTE 14 NOTES PAYABLE

	2010	2009
	millions of dollars	
Canadian notes	-	100
	-	100

The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million. At March 31, 2010, there were no overdrafts or notes payable (2009 - $100 million).

NOTE 15 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $20 million per annum in fiscal year 2011, and $16 million per annum in fiscal year 2012 and each year thereafter in perpetuity.

NOTE 16 OTHER DEFERRED LIABILITIES

	2010	2009
	millions of dollars	
Accrued benefit liability (Note 19)	134	127
Mitigation liability (Note 21)	129	120
Refundable advances from customers	63	49
Non-controlling interest (Note 23)	62	39
Asset retirement obligations	23	37
Affordable Energy Fund (Note 22)	31	33
Interest income and other liabilities	6	4
	448	409

Asset retirement obligations have been recognized for the future decommissioning of the Corporation's two thermal generating stations, a hydraulic generating station, and for the removal and disposal of polychlorinated biphenyl (PCB) contaminated fluid in HVDC converter station capacitors. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $54 million, $1 million of which will be incurred by March 31, 2011 for PCB contaminated oil removal and disposal; $4 million is expected to be incurred by March 2016 for the partial decommissioning of the Pointe du Bois generating station spillway; and the balance of $49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. No funds are being set aside to settle the asset retirement obligations.

NOTE 17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amounts and fair values of the Corporation's non-derivative financial instruments at March 31 were as follows:

	2010		2009	
Financial Instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
	millions of dollars			
Held-for-Trading				
Cash and cash equivalents	174	174	159	159
Loans and Receivables				
Accounts receivable and accrued revenue	365	365	434	434
Interest receivable	6	6	6	6
Available-for-Sale				
Sinking fund investments	822	822	666	666
Other Financial Liabilities				
Long-term debt (including current portion)	8 538	9 754	8 187	9 532
Accounts payable and accrued liabilities	326	326	331	331
Notes payable	-	-	100	100
Accrued interest	91	91	99	99
Asset purchase obligation	215	279	218	272

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are level 1 measurements with the exception of the long-term debt and the asset purchase obligation that are level 2 measurements. Fair value measurement for these instruments is derived from quoted market yields at the close of business on the balance sheet date for similar instruments available in the capital market. The carrying values of all other financial assets and liabilities approximate fair value.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks, and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the Corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Manitoba Hydro-Electric Board, to ensure the adequacy of the risk management framework in relation to the risks faced by the Corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments and pension fund investments. The Corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The Corporation is also exposed to credit risk related to accounts receivable arising from domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export power market is mitigated by establishing minimum credit rating requirements, conducting standard credit reviews of all counterparties, and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to provide further credit risk control. The maximum exposure to credit risk related to non-derivative financial assets is its carrying value.

The value of the Corporation's aged accounts receivable for domestic and export customers, and related bad debt provisions are presented in the following table:

			2010	2009
	Domestic	Extraprovincial	Total	Total
		millions of dollars		
Under 30 days	258	39	297	332
30 to 60 days	19	-	19	24
61 to 90 days	10	-	10	10
Over 90 days	31	-	31	33
	318	39	357	399
Provision at end of period	(8)	-	(8)	(8)
Total accounts receivable	310	39	349	391

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged domestic and export receivables that are considered uncollectible. The provision of $8 million for bad and doubtful accounts did not change from the previous year.

To mitigate credit risk related to the use of natural gas derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

b) **Liquidity Risk**

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. To meet the Corporation's forecasted cash requirements, the Corporation uses cash generated from operations, a short-term borrowing program, long-term borrowings advanced from the Province of Manitoba and sinking funds for debt retirements.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2011	2012	2013	2014	2015	2016 and *thereafter*
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	326	326	-	-	-	-	-
Asset purchase obligation	215	20	16	16	16	16	16*
Long-term debt**	8 629	864	579	748	1 623	610	13 241
		1 210	595	764	1 639	626	13 257
Derivative financial liabilities							
Commodity derivatives							
Natural gas collar obligations	-	18	-	-	-	-	-
Natural gas price swap obligations	1	1	-	-	-	-	-
	1	19	-	-	-	-	-
		1 229	595	764	1 639	626	13 257

*per year in perpetuity

**including current portion and interest payments

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, a long-term cash flow hedge has been established between the U.S. long-term debt balances and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2010, foreign exchange translation gains of $455 million were recognized in other comprehensive income and net losses of $6 million were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

As a means to bridge temporary timing differences between inflows and outflows of U.S. dollar requirements, the Corporation utilizes derivative foreign exchange forward contracts as hedging instruments in a cash flow hedge. As at March 31, 2010, there were no outstanding foreign exchange contract purchases (2009 - $58 million U.S.). For the year ended March 31, 2010 foreign exchange gains of $7 million were reclassified from other comprehensive income into net income. The fair value of these contracts as at March 31 is as follows:

	2010	2009
	millions of dollars	
Foreign exchange forward contracts	-	12

Foreign exchange forward contracts are valued monthly at market prices.

In addition to natural hedging relationships and forward U.S. exchange contracts, cross currency swap arrangements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such trarsactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As of March 31, 2010, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $0.5 million, while other comprehensive income would increase (decrease) by $180 million.

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments and floating rate long-term debt. At March 31, 2010, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $13 million, with no impact to other comprehensive income.

Interest rate swap agreements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the Corporation are amended by the swap.

iii. Commodity Price Risk

The Corporation is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The Corporation mitigates natural gas price volatility through its use of derivative instruments restricted to price swaps, call options and cashless collars. To manage the exposure to electricity price risk that results from the volatility of market prices, the Corporation also enters into derivative financial instruments such as contracts for differences. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into cashless collar contracts until January 2011 to purchase 16 878 000 gigajoules (GJ) of natural gas at a weighted average upper strike price of $6.64/GJ and a weighted average lower strike price of $5.15/GJ. The weighted average forward price of the cashless collars per the Alberta Energy Company Exchange (AECO) at March 31, 2010 is $4.11/GJ. Settlement values are recorded in the purchased gas variance account in the month the natural gas is delivered.

The Corporation has also entered into natural gas price swaps until April 2015 to purchase 292 150 gigajoules of natural gas at a weighted average fixed price of $6.67/GJ. The weighted average forward price of the swaps per AECO at March 31, 2010 was $4.86/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

A contract for differences was entered into until June 2010 to fix the price of electricity exports for 102 400 megawatt hours. The cash difference between the fixed price that the Corporation receives and the floating price paid will be cash settled. This contract is reported as a derivative and carried at fair value on the balance sheet.

The unrealized fair value gains (losses) of financial derivative contracts as at March 31 are as follows:

	2010	2009
	millions of dollars	
Cashless collar contracts	(18)	(64)
Fixed price swap contracts	(1)	-
Contracts for differences	1	-

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2010.

A change in fair value of cashless collars due to a 10% increase or decrease in the price of natural gas would decrease or increase the purchased gas variance account by $7 million. A change in fair value of price swaps due to a 10% increase or decrease in the price of natural gas would result in an immaterial impact on earnings.

NOTE 18 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure sufficient equity to enable the Corporation to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for the Corporation's capital projects and its ongoing operational requirements.

The Corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2010	2009
	dollars are in millions	
Long-term debt, net of sinking fund investments	7 406	7 002
Current portion, long-term debt	310	519
Notes payable	-	100
Less: Cash and cash equivalents	(174)	(159)
Net debt	7 542	7 462
Retained earnings	2 239	2 076
Accumulated other comprehensive income (loss)	285	(169)
Contributions in aid of construction	295	296
Total equity	2 819	2 203
Equity ratio	27%	23%

Manitoba Hydro issues debt for its capital requirements under the authority of the Manitoba Hydro Act and the Loan Act. The Manitoba Hydro Act grants the Corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under the Loan Act for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 19 EMPLOYEE FUTURE BENEFITS

Manitoba Hydro employees are eligible for pension benefits under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the Winnipeg Civic Employee Benefits Program (WCEBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years.

The CSSB manages the Corporation's pension fund (MH Pension Fund) on behalf of the Corporation. The assets related to the Centra Gas curtailed pension plans are held in trust by State Street Trust Co. of Canada. The assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's balance sheet.

The following table presents information concerning the MH Pension Fund and the Centra Gas curtailed pension plans:

	MH Pension Fund		Centra Gas curtailed pension plans		Total	
	2010	2009	2010	2009	2010	2009
	millions of dollars					
Plan Assets at Fair Value						
Balance at beginning of year	623	781	57	72	680	853
Actual return (loss) on plan assets	117	(126)	12	(13)	129	(139)
Employer contributions	-	-	9	4	9	4
Benefit payments and refunds	(46)	(32)	(5)	(6)	(51)	(38)
	694	623	73	57	767	680
Accrued Benefit Obligation						
Balance at beginning of year	730	714	81	81	811	795
Interest on obligation	47	46	5	6	52	52
Current service cost	23	22	-	-	23	22
Benefit payments and refunds	(35)	(32)	(4)	(6)	(39)	(38)
Actuarial losses (gains)	9	(20)	-	-	9	(20)
	774	730	82	81	856	811
Deficit at end of year	(80)	(107)	(9)	(24)	(89)	(131)
Unamortized past service costs	-	-	2	3	2	3
Unamortized transitional balance	(4)	(6)	(1)	(1)	(5)	(7)
Unamortized net actuarial loss	180	234	32	38	212	272
Accrued benefit asset	96	121	24	16	120	137

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair Value		Centra Gas curtailed pension plans Fair Value	
	2010	2009	2010	2009
	millions of dollars			
Equities	421	308	46	31
Bonds and debentures	170	226	19	22
Real estate	77	85	4	2
Short-term investments	26	4	4	2
	694	623	73	57

The return on pension fund assets for the MH Pension Fund was positive 19.3% (2009 - negative 16.3%). The return for the Centra Gas curtailed plan fund assets was positive 21.7% (2009 - negative 18.1%). The weighted average term to maturity on fixed income investments is 8.6 years (2009 – 8.0 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2009. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2010. The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2008.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2010	2009
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	7.0%	7.5%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees - MH Pensions	14 years	14 years
Expected average remaining service life of employees - Centra Pensions	10 years	10 years
Long-term inflation rate	2.5%	2.5%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Centra Gas curtailed pension plans	
	2010	2009	2010	2009
	millions of dollars			
Current service cost	23	22	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	13	13	-	-
Interest on obligation	47	46	5	5
Expected return on plan assets	(55)	(54)	(6)	(5)
Amortization of net experience loss	-	2	1	1
Amortization of transitional gain	(1)	(1)	-	-
	29	30	-	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $0.5 million (2009 - $0.2 million) and reflect an employer contribution rate approximating 1.3% of pensionable earnings to January 6, 2010 and 3.5% of pensionable earnings thereafter.

The following table presents information concerning other employee future benefits:

	Other Benefits	
	2010	2009
	millions of dollars	
Accrued benefit liability		
Balance at beginning of year	145	137
Interest on obligation	3	3
Current service cost	17	19
Benefit payments	(15)	(14)
	150	145
Unamortized past service costs	(11)	(13)
Unamortized transitional obligation	(5)	(5)
Accrued benefit liability	134	127

NOTE 20 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1 626 million (2009 - $603 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal and electricity. Commitments are primarily for wind, which expire in 2037, and natural gas purchases, which expire in 2013. In addition, other outstanding commitments, principally for construction, are approximately $818 million (2009 - $893 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities and for the phase-out and destruction of PCB contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as Asset Retirement Obligations), a contingent liability exists.

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro provides guarantees to counterparties as part of its use of natural gas derivative commodity contracts. Guarantees issued at March 31, 2010 totalled $305 million (2009 - $263 million) and do not have specific maturity dates. Letters of credit in the amount of $4 million (2009 - $2 million) have been issued for energy related transactions with maturities between 2010 and 2012.

NOTE 21 MITIGATION

The Corporation is party to an agreement dated December 16, 1977 with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred or settlements reached to mitigate the impacts of all projects amounted to $26 million during the period (2009 - $22 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $129 million (2009 - $120 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to certain northern development projects. The Corporation has assumed obligations totaling $145 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2010 amounted to $12 million (2009 - $11 million).

As of March 31, 2010, $701 million (2009 - $675 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time. However, in total, such other mitigation issues are not considered to be significant.

NOTE 22 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act, Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund is classified as Other Deferred Assets (Note 11) with an offsetting balance in Other Deferred Liabilities (Note 16). Expenditures of $2 million (2009 - $1 million) during the year were charged to operations with the asset and liability accounts reduced accordingly.

NOTE 23 ADVANCES TO TASKINIGAHP POWER CORPORATION

Taskinigahp Power Corporation (TPC) has a non-controlling interest in the Wuskwatim Generating Station which is currently under construction and projected to be placed in-service in 2011.

TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). Both Manitoba Hydro and NCN are parties to the Wuskwatim Power Limited Partnership (WPLP) which was formed to carry on the business of developing, owning and operating the generating station.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. At March 31, 2010, Manitoba Hydro has provided advances to TPC of $55 million (2009 - $32 million). The advances are repayable by TPC, with interest, subsequent to the in-service date of the Wuskwatim Generating Station. TPC's non-controlling interest is $62 million (2009 - $39 million).

NOTE 24 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	millions of dollars							
Revenues (net of cost of gas sold)	1 599	1 784	138	149	-	-	1 737	1 933
Expenses								
Operating and administrative	395	382	61	60	-	-	456	442
Finance expense	373	433	19	20	18	18	410	471
Depreciation and amortization	358	341	24	25	2	2	384	368
Water rentals and assessments	121	123	-	-	-	-	121	123
Fuel and power purchased	104	176	-	-	-	-	104	176
Capital and other taxes	76	64	23	23	-	-	99	87
Corporate allocation	8	8	12	12	(20)	(20)	-	-
	1 435	1 527	139	140	-	-	1 574	1 667
Net income (loss)	164	257	(1)	9	-	-	163	266
Total assets	11 856	10 940	581	607	-	-	12 437	11 547
Total liabilities	9 387	8 632	516	543	-	-	9 903	9 175
Contributions in aid of construction	263	266	32	30	-	-	295	296
Total retained earnings	2 206	2 042	33	34	-	-	2 239	2 076

NOTE 25 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2009 have been reclassified in order to conform to the presentation adopted in 2010.

The Wuskwatim site after sunset

FINANCIAL STATISTICS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
					millions of dollars					
Revenues										
Electric:										
Residential	477	463	436	410	387	386	368	354	314	320
General Service	669	664	638	614	597	553	550	521	472	461
Extraprovincial	427	623	625	592	827	554	351	463	588	480
Other Revenue	25	34	23	16	17	15	18	16	11	8
Gas:										
Residential	254	320	293	245	238	244	235	247	225	240
Commercial / Industrial	193	253	229	257	274	258	252	261	248	259
Transportation	5	5	4	4	3	5	4	4	4	2
Other Revenue	2	2	2	2	2	2	3	3	2	3
	2 053	2 364	2 250	2 140	2 345	2 017	1 781	1 869	1 864	1 773
Expenses										
Operating and Administrative	456	442	391	386	375	363	346	326	298	285
Finance Expense	410	471	440	506	503	502	487	479	482	420
Depreciation and Amortization	384	368	349	332	322	311	296	281	260	249
Water Rentals	121	123	124	112	131	111	71	103	113	56
Fuel and Power Purchased	104	176	134	226	125	135	569	151	71	48
Capital and Other Taxes	99	87	80	77	77	75	73	66	61	61
Cost of Gas Sold	316	431	386	379	397	384	375	392	365	384
	1 890	2 098	1 904	2 018	1 930	1 881	2 217	1 798	1 650	1 503
Net Income	163	266	346	122	415	136	(436)	71	214	270
Assets										
Property, Plant and Equipment	12 688	12 300	11 884	11 424	11 065	10 748	10 399	9 991	9 072	8 762
Less Accumulated Depreciation	4 612	4 356	4 187	3 924	3 657	3 447	3 241	3 042	2 834	2 609
Construction in Progress	2 052	1 438	1 238	878	602	475	378	356	388	275
Sinking Fund Investments	822	666	718	630	555	562	715	948	1 515	1 350
Current and Other Assets	1 487	1 499	2 113	1 914	1 917	1 614	1 652	1 981	2 264	2 188
	12 437	11 547	11 766	10 922	10 482	9 952	9 903	10 234	10 405	9 966
Liabilities and Retained Earnings										
Long-Term Debt	8 228	7 668	7 218	6 822	7 051	7 048	7 114	6 925	7 123	6 968
Current and Other Liabilities	1 390	1 676	2 121	2 395	1 849	1 738	1 781	1 875	1 699	1 629
Contributions in Aid of Construction	295	296	300	298	297	296	274	264	281	281
Retained Earnings	2 239	2 076	1 822	1 407	1 285	870	734	1 170	1 302	1 088
Accumulated Other Comprehensive Income	285	(169)	305	-	-	-	-	-	-	-
	12 437	11 547	11 766	10 922	10 482	9 952	9 903	10 234	10 405	9 966
Cash Flows										
Operating Activities	551	688	633	443	710	433	(127)	432	554	334
Financing Activities	1 151	424	487	227	77	236	753	213	100	170
Investing Activities	1 687	1 086	988	788	677	666	650	629	638	521
Financial Indicators										
Interest Coverage[1]	1.32	1.49	1.69	1.23	1.77	1.25	0.17	1.14	1.42	1.62
Debt Ratio[2]	0.73	0.77	0.73	0.80	0.81	0.85	0.87	0.80	0.77	0.80
Capital Coverage[3]	1.30	1.77	1.62	1.10	2.28	1.20	(0.32)	1.10	1.67	1.18

[1]Interest Coverage represents net income plus interest on debt divided by interest on debt.

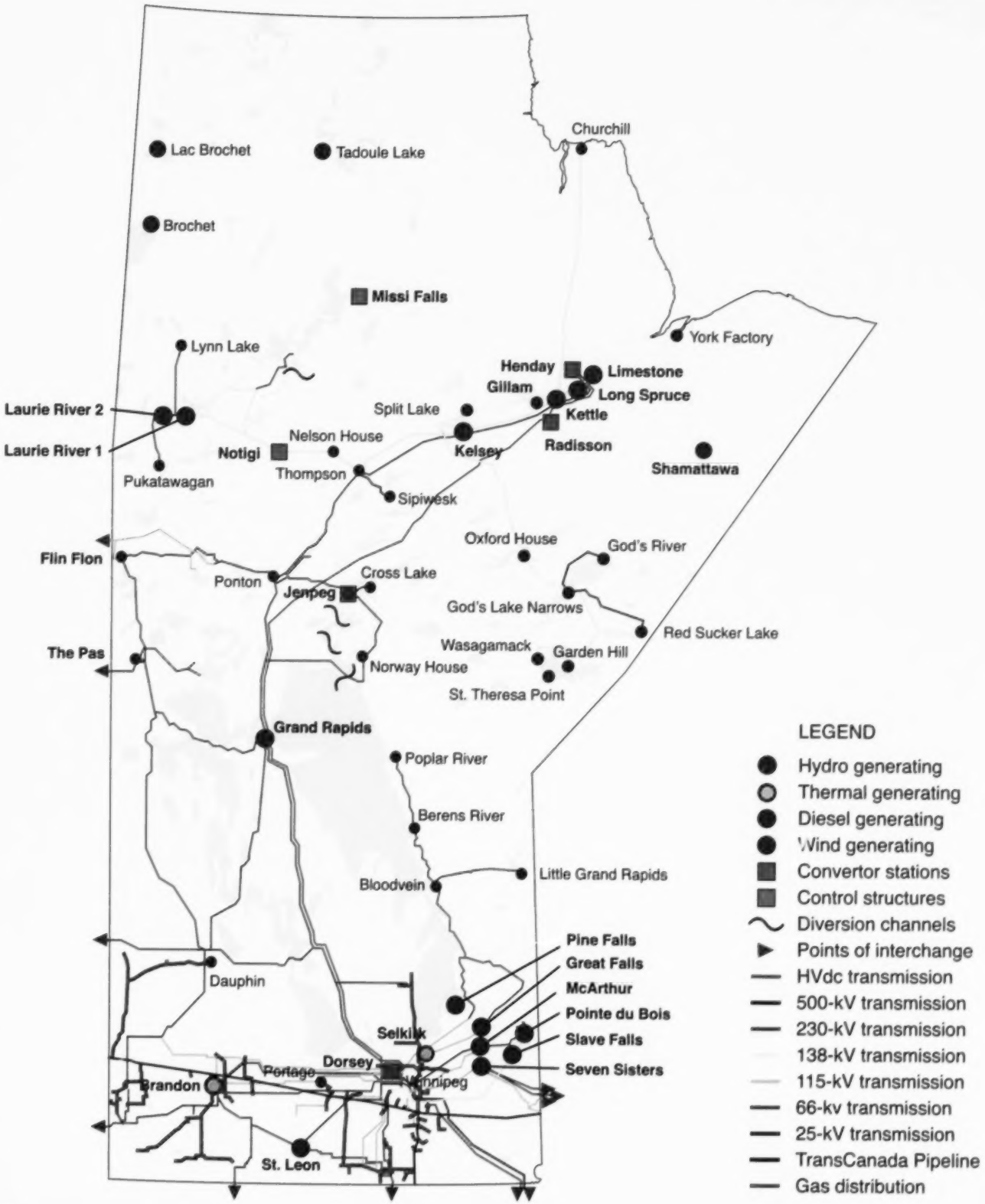
[2]Debt Ratio represents debt (long-term debt plus notes payable minus sinking fund investments and temporary investments) divided by debt plus equity plus contributions in aid of construction.

[3]Capital Coverage represents internally generated funds divided by capital construction expenditures.

OPERATING STATISTICS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Electric System Capability										
Capability (000 kW)	5 501	5 480	5 465	5 461	5 469	5 470	5 471	5 464	5 230	5 210
Manitoba Firm Peak Demand (000 kW)	4 359	4 477	4 273	4 184	4 054	4 169	3 959	3 916	3 760	3 637
Percent Change	(2.6)	4.8	2.1	3.2	(2.8)	5.3	1.1	4.1	3.4	3.2
Electric System Supply										
Total Energy Supplied (000 000 kWh)										
Generation	33 961	34 528	35 354	32 132	37 620	31 548	19 338	29 167	32 633	32 687
Isolated Systems	13	13	12	12	12	11	11	11	10	10
	33 974	34 541	35 366	32 144	37 632	31 559	19 349	29 178	32 643	32 697
Manitoba Electric Load at Generation (000 000 kWh)										
Integrated System	23 295	24 285	23 985	23 327	22 622	22 452	21 907	21 965	20 519	20 123
Isolated System	13	13	12	12	12	11	11	11	10	10
	23 308	24 298	23 997	23 339	22 634	22 463	21 918	21 976	20 529	20 133
Percent Change	(4.1)	1.3	2.8	3.1	0.8	2.5	(0.3)	7.0	2.0	5.4
Electric System Demand										
Energy Delivered (000 000 kWh)										
Residential	6 899	6 954	6 838	6 539	6 266	6 370	6 266	6 135	5 206	5 282
General Service	13 643	14 312	14 271	14 016	13 710	13 411	13 057	12 818	11 752	11 416
Manitoba	20 542	21 266	21 109	20 555	19 976	19 781	19 323	18 953	16 958	16 698
Net Extraprovincial (+Exports - Imports)	9 943	9 589	10 590	8 217	13 706	8 213	(2 578)	6 378	10 911	11 247
Gas Deliveries (millions of cubic metres)										
Residential	669	760	746	620	579	681	653	714	645	699
Commercial / Industrial	716	802	792	844	803	917	893	980	899	974
Transportation	619	603	618	592	598	559	577	640	502	501
	2 003	2 165	2 156	2 056	1 980	2 157	2 123	2 334	2 046	2 174
Number of Customers										
Electric										
Residential	465 055	460 804	455 430	450 823	446 370	442 840	438 953	435 507	355 473	353 297
General Service	67 304	66 668	66 169	66 038	63 421	62 826	62 697	62 218	50 062	49 743
	532 359	527 472	521 599	516 861	509 791	505 666	501 650	497 725	405 535	403 040
Gas										
Residential	239 534	238 273	236 498	235 016	233 190	231 366	229 194	227 071	225 258	224 020
Commercial / Industrial	24 767	24 735	24 661	24 553	24 627	24 559	24 437	24 202	24 093	24 054
	264 301	263 008	261 159	259 569	257 817	255 925	253 631	251 273	249 351	248 074
Number of Employees										
Regular	4 777	4 752	4 709	4 406	4 409	4 386	4 389	4 399	3 862	3 904
Construction	1 424	1 266	1 107	1 161	1 154	1 098	1 006	966	899	797
	6 201	6 018	5 816	5 567	5 563	5 484	5 395	5 365	4 761	4 701

MAJOR ELECTRIC AND GAS FACILITIES



SOURCES OF ELECTRICAL ENERGY

Sources of Electrical Energy Generated and Imported

For the Year Ended March 31, 2010

Nelson River	**81.44**	**%**
Billion kWh generated	**28.2**	
Limestone	27.06	%
Kettle	25.66	%
Long Spruce	21.20	%
Kelsey	4.93	%
Jenpeg	2.59	%
Winnipeg River	**12.62**	**%**
Billion kWh generated	**4.4**	
Seven Sisters	3.60	%
Great Falls	2.93	%
Pine Falls	2.04	%
Pointe du Bois	1.75	%
Slave Falls	1.00	%
McArthur	1.30	%

Saskatchewan River	**3.37**	**%**
Billion kWh generated	**1.2**	
Grand Rapids	3.37	%
Laurie River	**0.18**	**%**
Billion KW.h generated	**0.1**	
Laurie River #1	0.10	%
Laurie River #2	0.08	%

Thermal	**0.41**	**%**
Billion kWh generated	**0.1**	
Brandon	0.32	%
Selkirk	0.09	%
Imports	**1.02**	**%**
Billion kWh imported	**0.4**	
Wind	**0.96**	**%**
Billion kWh imported	**0.3**	

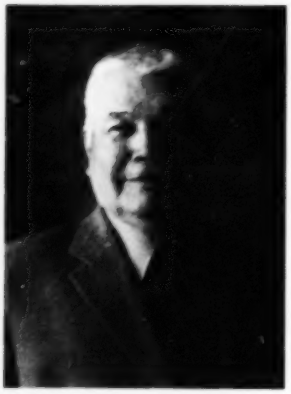
Generating Stations and Capabilities

For the Year Ended March 31, 2010

Interconnected Capabilities			
Station	Location	Number of units	Net Capability (MW)
Hydraulic			
Great Falls	Winnipeg River	6	136
Seven Sisters	Winnipeg River	6	165
Pine Falls	Winnipeg River	6	89
McArthur	Winnipeg River	8	55
Pointe du Bois	Winnipeg River	16	77
Slave Falls	Winnipeg River	8	67
Grand Rapids	Saskatchewan River	4	479
Kelsey	Nelson River	7	250
Kettle	Nelson River	12	1 220
Jenpeg	Nelson River	6	135
Long Spruce	Nelson River	10	1 010
Limestone	Nelson River	10	1 340
Laurie River (2)	Laurie River	3	10
Thermal			
Brandon		3	339
Selkirk		2	129
Isolated Capabilities			
Diesel			
Brochet			3
Lac Brochet			2
Shamattawa			3
Tadoule Lake			2
Total Generating Capability			**5 511**

MANITOBA HYDRO-ELECTRIC BOARD

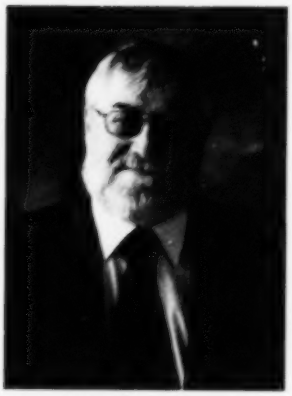
Victor H. Schroeder, QC
Chairman



Phil Dorion

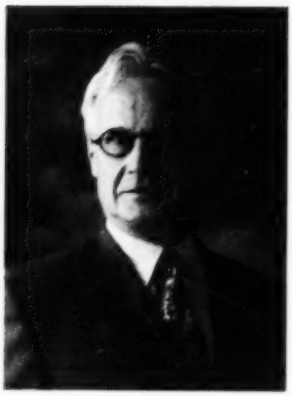
Dr. John Loxley

David Friesen



Gerard Jennissen

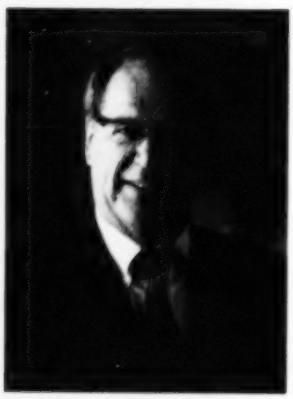
Ken Paupanekis



Garry Leach

Michael Spence

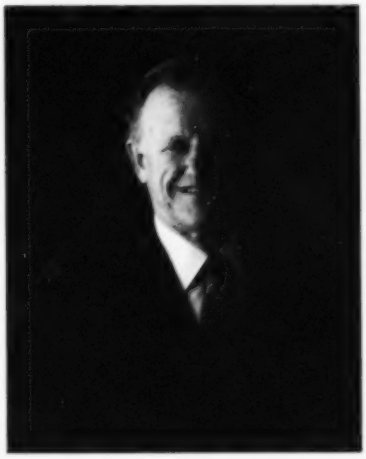
Leslie Turnbull



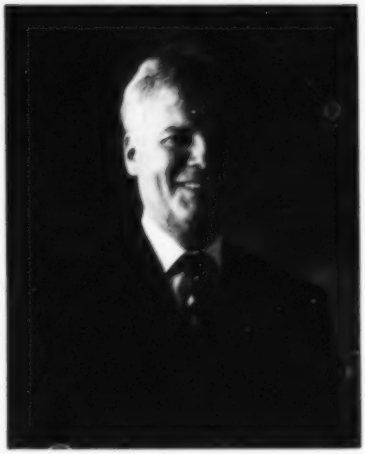
William C. Fraser, FCA

MANITOBA HYDRO SENIOR OFFICERS

Robert B. Brennan, FCA
President and Chief Executive Officer

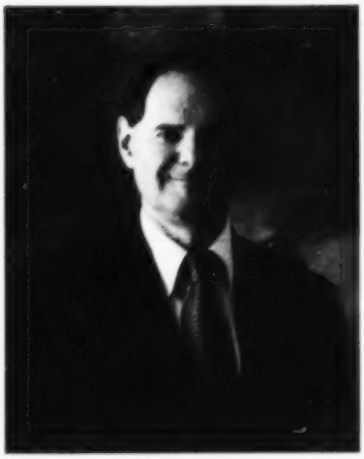


Ken R.F. Adams, P. Eng
Senior Vice-President,
Power Supply



Vince A. Warden, CMA, FCMA
Senior Vice-President,
Finance & Administration and
Chief Financial Officer

E. Ruth Kristjanson, BA (Hons), MA
Vice-President,
Corporate Relations



Ken M. Tennenhouse, LL.B
General Councel and Corporate Secretary

Ed T. Tymofichuk, P. Eng
Vice-President,
Transmission

G. Brent Reed
Vice-President,
Customer Service & Distribution

C.E. (Lyn) Wray, CA, MA
Vice-President,
Corporate Planning & Strategic Analysis

Lloyd Kuczek, P. Eng, MBA
Vice-President,
Customer Care & Marketing

GLOSSARY

Utility terms

Demand: The size of any load, expressed in kilowatts (kW), averaged for a specified period of time.

Distribution System: The poles, conductors and transformers that deliver electricity to customers. The distribution system transforms high voltages to lower, more usable levels. Electricity is distributed at 120/240 volts (V) for most residential customers and 120 to 600 V for the majority of commercial customers.

Energy: Electrical utilities sell electrical energy to their customers who, in turn, convert this energy into a desirable form — such as work, heat, light, or sound. Electrical energy is measured in kilowatt hours (kWh).

Generator: A machine that converts mechanical energy — such as a rotating turbine driven by water, steam, or wind — into electrical energy.

Natural Gas: A fossil fuel made from hydrocarbons stored millions of years ago when plants and other materials were buried in the earth's crust. Composed mostly of Methane — a colourless and non-toxic substance — natural gas creates virtually no unburned particles or smoke to pollute the atmosphere.

PUB: The Public Utilities Board. The provincial government's regulatory body through which all of Manitoba Hydro's electricity and natural gas rate applications must be approved before rate increases or decreases can become implemented.

Peak load: Record of maximum amount of electricity for the fiscal year measured at a specific moment in time.

Power grid: A number of interconnecting electrical power systems linking together electrical utilities and covering a large geographical area.

Transmission system: The towers, conductors, substations, and related equipment involved with transporting electricity from generation source to areas for distribution — or to the power systems of out-of-province electrical utilities.

Accounting terms

Financial instruments: Bonds, provincial advances, short-term promissory notes, temporary and long-term investments, and swap option and foreign exchange contracts.

Foreign exchange contract: An agreement to exchange a predetermined amount of currency on a specified future date at a specified price.

Forward interest rate swap: An agreement between two parties to exchange predetermined fixed and floating interest rates on a specified amount of a principal debt or investment for a specified term, beginning at a future date.

Retained earnings: Accumulated net income from prior years and the current year.

Sinking fund: A fund of cash and securities set up to provide for the orderly retirement of a debt.

Yield: The average return of a debt or investment which recognizes the future interest payments, capital gains or losses, commissions, discounts, and premiums.

Weighted average yield rate: The average return of debt or investment weighted by the remaining term to maturity.

Units of measure

BTU: British Thermal Unit. The amount of energy required to raise the temperature of one pound of water one degree Fahrenheit, equaling roughly 1 000 kilowatts (kW).

Gigajoule: A measure of energy for natural gas equaling one billion joules or one million BTUs. One gigajoule of energy is equivalent to that provided by approximately 278 kilowatt hours of electricity or 30 litres of gasoline.

Gigawatt (GW): The unit of electrical power equivalent to one billion watts or one million kW.

Joule: A measure of energy for natural gas.

Kilovolt (kV): The unit of electrical pressure, or force, equivalent to 1 000 volts (V).

Kilowatt hour (kWh): The basic unit of electrical energy by which electricity is measure. For example, 10-100 W light bulbs switched on for one hour equals one kilowatt hour (1 000 W for one hour).

Megawatt (MW): The unit of electrical power equivalent to one million watts, or 1 000 kilowatts (kW).

Manitoba Hydro

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